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Financial reports and audited financial statements, and reports of the Board of Auditors

First report on the implementation of the recommendations of the Board of Auditors on the United Nations funds and programmes for the biennium ended 31 December 1999

Report of the Secretary-General

Addendum

I. Introduction

1. In paragraph 7 of its resolution 48/216 B of 2 December 1993, the General Assembly requested the executive heads of the United Nations funds and programmes to provide the Assembly, at the same time as the recommendations of the Board of Auditors were submitted to the Assembly through the Advisory Committee on Administrative and Budgetary Questions, with their responses and to indicate measures that would be taken to implement those recommendations, with appropriate timetables.

2. The Secretary-General has the honour to transmit to the General Assembly the responses of the executive heads of the organizations and programmes, namely the International Trade Centre UNCTAD/WTO (ITC), the United Nations University (UNU), the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the United Nations Institute for Training and Research (UNITAR), the voluntary funds administered by the Office of the United Nations High Commissioner for Refugees (UNHCR), the Fund of the United Nations Environment Programme (UNEP), the United Nations Population Fund (UNFPA), the United Nations Habitat and Human Settlements Foundation, the Fund of the United Nations International Drug Control Programme (UNDCP), the United Nations Office for Project Services, the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia. Unless otherwise stated, these responses relate to the recommendations of the Board of Auditors in its report for the period ended 31 December 1999.

II. Replies from United Nations organizations and programmes

A. International Trade Centre UNCTAD/WTO

3. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of ITC for the biennium ended 31 December 1999[1] are set out below.

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4. **In paragraph 11 (a), the Board recommended that ITC ensure that the liabilities for end-of-service benefits, post-retirement benefits and annual leave are disclosed in the financial statements for the biennium 2000-2001.**

5. ITC did not apply United Nations accounting standard 57 on the disclosure of liabilities for end-of-service benefits, post-retirement benefits and annual leave in the financial statements for the biennium 1998-1999 because of the limited amount of time available to assess the value of such liabilities. In June 2000 ITC raised this issue of defining a standard methodology for the calculation of such benefits with the Consultative Committee on Administrative Questions (Financial and Budgetary Questions). ITC will hold further discussions with the United Nations Accounts Division in that respect. ITC will reflect this requirement in the financial statements for the biennium 2000-2001.

6. The responsibility for implementing this recommendation lies with the Chief, Financial Management Section, Division of Administration.

7. **In paragraph 11 (b), the Board recommended that ITC liaise with the United Nations Controller to review the accounting treatment of amounts relating to future financial periods.**

8. ITC has been in regular consultations with the United Nations Accounts Division on the accounting treatment of deferred charges and deferred income for financial reporting, following the auditors' recommendations. ITC follows the general practices applied by the United Nations in its financial reporting. This subject is not limited to ITC and United Nations Headquarters, and should be reviewed by the Consultative Committee on Administrative Questions/Financial and Budgetary Questions. ITC was informed that the matter would be brought up for discussion at upcoming meetings of the Consultative Committee's Working Party on United Nations accounting standards during the biennium 2000-2001.

9. ITC has complied with United Nations accounting standards on this particular issue. ITC awaits instructions from United Nations Headquarters and will apply the approved/revised standard accordingly.

10. The responsibility for implementing this recommendation lies with the Chief, Financial Management Section, Division of Administration.

11. **In paragraph 11 (c), the Board recommended that ITC liase closely with the United Nations Office at Geneva to ensure that the Integrated Management Information System (IMIS) module required to address the Centre's specific reporting requirements is developed and implemented as soon as possible.**

12. The specific requirements of ITC relate to not only dual-currency accounting but also to the funds availability check in the trust fund accounts. These specifications have been clearly indicated in writing to IMIS in New York, through the United Nations Office at Geneva, in the autumn of 1999. As at 31 December 1999, ITC had complied with all the necessary preparatory work, including data conversion and migration from the old system (GAS), on the assumption that the system would be ready by the time initially scheduled. The training sessions on IMIS for ITC staff were held in 2000.

13. ITC has been in regular contact with the United Nations Office at Geneva and the IMIS team with respect to meeting the Centre's specific requirements as decided by its parent bodies. Despite a major effort on the part of the IMIS teams in New York and Geneva, with the full support and cooperation of the finance staff in Geneva, it is still not clear that the Swiss franc accounting module will serve the Centre's special needs well.

14. The responsibility for implementing this recommendation lies with the Chief, Financial Management Section, Division of Administration.

15. **In paragraph 11 (d), the Board recommended that ITC strengthen its efforts to secure donor contributions to support the full Joint Integrated Technical Assistance Programme (JITAP) and seek the approval of the Steering Group of the trust fund set up to mobilize donor support for the Programme to increase the level of funding from "window 1" (a general pool of monies that can be used for preparatory and generic activities) in order to provide more flexibility.**

16. ITC, the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) are actively pursuing donor

support for JITAP. For example, in a recent letter from the Chairman of the Steering Group to Steering Group donors, the Deputy Secretary-General of UNCTAD stressed the urgency of translating pledges into cash contributions and of obtaining new pledges, particularly for window 1. In the final analysis, donor support will materialize to the extent that donors have confidence in the long-term efficacy of the Programme. In the view of ITC, transparency in both the shortcomings and the successes of the Programme, proactive monitoring and evaluation and the transformation of continuing feedback experience into programme improvements will result in increased donor support.

17. **In paragraph 11 (e), the Board recommended that ITC take concerted action to ensure that the Corporate Management Information System is kept up to date so that it can be used as an effective management tool.**

18. The Focus Group on the Corporate Management Information System, together with other relevant organization change teams, will make proposals for improving the use of the system before the end of 2000. Upon the endorsement of such recommendations by ITC management, detailed guidelines will be issued for data maintenance and updating by all concerned staff. Compliance with those guidelines will be monitored regularly as will the level and appropriateness of the system's use.

19. The responsibility for implementing this recommendation lies with the Chief, Programme Resources Section, Office of the Executive Director.

20. **In paragraph 31, the Board recommended that future JITAP project documents classify activities on a cluster basis within the country context.**

21. As from the year 2000, the accounts system for JITAP delivery tracking has been modified, and it does enable the reporting of expenditures by cluster. The new JITAP financial reporting system by cluster has already been tested and implemented.

22. The responsibility for implementing this recommendation lies with the Director, Division of Technical Cooperation Coordination.

23. **In paragraph 44, the Board recommended that ITC ensure that realistic timetables are agreed with national bodies for those activities to be delivered by them and that ITC monitor progress to ensure the timetables are met.**

24. Initial timetables were not met. ITC and programme partners have been working to enhance communications and understanding of programme requirements needed to establish and maintain realistic but ambitious delivery timetables.

25. The responsibility for implementing this recommendation lies with the Director, Division of Technical Cooperation Coordination.

26. **In paragraph 47, the Board recommended that ITC, in cooperation with its partner organizations, determine the most effective ways of involving national participants at an early stage in the preparation of project documents and work plans.**

27. National participants were involved quite early in the preparation and review of reports on needs resulting from initial JITAP missions. These reports became the basis for project design. Based on the experience with JITAP, however, a more extensive interaction with and involvement of national trade-related stakeholders would be envisaged in the assessment of needs and in the design and implementation planning for any programme expansion. More generally, within ITC the matter was addressed with the issuance of the "road map" for needs assessments and programme design, which was issued in March 2000.[2] A training session on the implementation of the road map will take place in September/October 2000, and compliance with the guidelines will be monitored on a regular basis.

28. The responsibility for implementing this recommendation lies with the Director, Division of Technical Cooperation Coordination.

29. **In paragraph 48, the Board recommended that ITC minimize the need for remedial measures in future and undertake more extensive country-specific risk analysis before projects begin.**

30. ITC agrees, particularly that distinctions on budgetary and institutional capacity should have been made clear initially, such as between Côte d'Ivoire and Kenya, on the one hand, and the least developed countries and Ghana, on the other. This and other risk analysis will be done for each country at the outset in any expansion of JITAP and, more generally, in all new ITC projects as foreseen in the road map. ITC appreciates the Board's noting the Centre's rapid

response and active management approach to correct the ensuing problems.

31. The responsibility for implementing this recommendation lies with the Director, Division of Technical Cooperation.

Status of implementation of the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1997[3]

32. **In paragraph 10 (a), the Board recommended that ITC, in liaison with United Nations Headquarters, review the accounting treatment of deferred charges and deferred income to ensure that it is consistent with best accounting practice.**

33. ITC awaits instructions from United Nations Headquarters regarding the treatment of deferred charges and deferred income and has been advised that this subject will be brought up for discussion at upcoming meetings of the Consultative Committee on Administrative Questions Working Party on United Nations accounting standards during the biennium 2000-2001.

34. The responsibility for implementing this recommendation lies with the Chief, Financial Management Section, Division of Administration.

35. **In paragraph 10 (e), the Board recommended that ITC develop, as a priority, corporate performance indicators and a system through which achievements could be recorded and aggregated to provide an annual assessment of the Centre's impact.**

36. The matter is being addressed in a comprehensive manner within the framework of the change management initiative. This includes the prior definition of corporate goals, corporate strategic principles and programme-specific objectives, in addition to the objectives (and related indicators) that are already specified in individual projects. The results-based management system that ITC plans to establish will consist of a combination of performance measurements at these various levels. It is anticipated that the performance indicators and the mechanisms that are needed to monitor them and to aggregate data for corporate reporting on the Centre's impact will be defined by the end of 2000 and introduced in 2001 on a trial basis.

37. The responsibility for implementing this recommendation lies with the Chief, Programme and Resources Section, Office of the Executive Director, in cooperation with the Senior Monitoring and Evaluation Officer.

38. **In paragraph 10 (g), the Board recommended that ITC improve its planning and prioritization of research and development work, adopt a more prudent approach and strengthen its management of contractors to assure timely delivery of outputs.**

39. The Focus Group on Corporate Management Information System, together with other relevant organization change teams, will make proposals for improving the use of the system before the end of 2000. Upon endorsement of such recommendations by ITC management, detailed guidelines will be issued for data maintenance and updating by all concerned staff. Compliance with those guidelines will be monitored regularly as will the level and appropriateness of the system's use.

40. The responsibility for implementing this recommendation lies with the Chief, Programme and Resources Section, Office of the Executive Director.

B. United Nations University

41. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNU for the biennium ended 31 December 1999[4] are set out below.

42. **In paragraph 10 (a), the Board recommended that UNU present in the financial statements both gains and losses on the sale of securities and equities in gross terms instead of presenting only the net amount, in accordance with the United Nations accounting standards.**

43. The recommendation has been effected in the UNU financial statement for the biennium 2000-2001 ended 30 June 2000.

44. The Director of Administration is responsible for implementation of this recommendation.

45. **In paragraph 10 (b), the Board recommended that UNU make provision for long-outstanding unpaid pledges.**

46. UNU will make provision for long-outstanding unpaid pledges, which will be included in the UNU

financial statement for the biennium 2000-2001 ended 31 December 2000.

47. The Director of Administration is responsible for implementation of this recommendation.

48. **In paragraph 10 (c), the Board recommended that UNU comply with the requirement to complete a performance evaluation at the termination of a contract prior to the renewal or extension of a special service agreement.**

49. The Administration will reissue, in September 2000, the instructions to each programme unit, reminding them of their responsibilities in this regard.

50. The Personnel Officer is responsible for implementation of this recommendation.

51. **In paragraph 10 (d), the Board recommended that UNU ensure that sufficient staff resources are secured to manage the projects.**

52. Effective immediately, and where appropriate, programme heads will ensure that sufficient funding for necessary staff resources is included in budgets for new projects. Once funding has been secured, recruitment of appropriate project personnel will be undertaken to ensure adequate resourcing of programmes.

53. The Vice-Rectors are responsible for implementation of this recommendation.

54. **In paragraph 10 (e), the Board recommended that UNU prepare in advance annual procurement plans to ensure competitive bidding for goods and services.**

55. All units will be requested to submit to the Administration, by the end of September 2000, their forward purchase plan for the remainder of the biennium 2000-2001. Following analysis, this will be discussed at the senior officers' meeting for approval.

56. The Director of Administration is responsible for implementation of this recommendation.

57. **In paragraph 10 (f), the Board recommended that UNU adhere to the procedures for tendering as laid down in the Procurement Manual for purchases under $25,000 as well as for purchases in excess of $25,000.**

58. UNU has been operating in line with the procedure followed by United Nations Headquarters, which issues requests for quotations instead of invitations to bid for the procurement of goods or services valued at more than $30,000 but less than $100,000. The Board's recommendation will be discussed with representatives of the United Nations Secretariat in September/October 2000.

59. The Director of Administration is responsible for implementation of this recommendation.

C. United Nations Development Programme

60. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNDP for the biennium ended 31 December 1999[5] are set out below.

61. **In paragraph 10 (a), the Board recommended that UNDP ensure that it regularly follows up on all outstanding audit reports and that it concentrate its efforts on those countries where it has the greatest levels of national execution.**

62. The recommendation is accepted. The Office of Audit and Performance Review systematically follows up with all the country offices as a matter of practice. The Office will, however, make additional efforts to explore the reasons for non-compliance, particularly with country offices that have large national execution project portfolios. The Office will also develop strategies to ensure greater compliance for the next audit period.

63. The Director of the Office of Audit and Performance Review is responsible for implementation of this recommendation.

64. **In paragraph 10 (b), the Board recommended that UNDP complete the reconciliation of the main contributions account and make the necessary adjustments to its financial records.**

65. The recommendation is accepted. The delay in completing this reconciliation emanated from the problems experienced with the implementation of new Year-2000-compliant systems. The reconciliation is expected to be completed by the end of September 2000.

66. The Comptroller, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

67. **In paragraph 10 (c), the Board recommended that UNDP, in projects such as UNDP 2001, prioritize activities and devise measurable indicators and milestones to allow systematic monitoring of progress.**

68. A report entitled "The Way Forward: the Administrator's Business Plans 2000-2003", which was endorsed by the UNDP Executive Board in January 2000, sets out the vision for a new UNDP and outlines the transformation initiatives that need to be undertaken.

69. Building on and learning from the experience of the 2001 change process, the Bureau of Management has established a business plan monitoring system, which captures all the transformation initiatives from the business plans. The monitoring system includes the key elements of the initiative, focal points and project leaders, milestones, a real-time reporting mechanism, detailed costs and funding sources. In addition, each initiative was prioritized following the approval of the executive team. The road map has been used to monitor the progress of change against the business plans, with regular reports to the executive team. Where necessary, remedial action has been sought and follow-up implementation undertaken. Specific templates and additional regular reporting from each unit has been established for some of the major initiatives.

70. The business plans included a transformation scorecard with goals, outcomes, indicators of success and indicative targets. This is being developed into a UNDP "balanced scorecard", which will represent the key strategic tool for monitoring the 25 or so performance indicators that will be used to measure the impact of change and the successful implementation of the business plans. It is expected that the scorecard will be finalized in the last quarter of 2000.

71. It is considered that this recommendation is being implemented. The Deputy Assistant Administrator and Director, Office of Planning, Bureau of Management, is responsible for implementation of this recommendation.

72. **In paragraph 10 (d), the Board recommended that, at the planning stage of future projects such as UNDP 2001, UNDP cost all the proposed activities and estimate the total cost of the initiative.**

73. The response to paragraph 10 (c) applies also to this recommendation.

74. **In paragraph 10 (e), the Board recommended that in future projects such as UNDP 2001, project managers collect and report all available costs and central programme managers include such information in their regular status reports.**

75. The response to paragraph 10 (c) applies also to this recommendation.

76. **In paragraph 10 (f), the Board recommended that UNDP set a clear timetable for the completion of tasks outstanding from the UNDP 2001 initiative.**

77. See paragraph 136 below.

78. **In paragraph 10 (g), the Board recommended that all country offices investigate the possibility of agreeing common service contracts with other United Nations organizations as a method of offering potential cash savings and administrative efficiencies.**

79. The recommendation is accepted. UNDP confirms that it will be actively working with the inter-agency working groups on the implementation and management of common service contracts, including cost-effectiveness and performance measurement, starting in 2001.

80. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

81. **In paragraph 10 (h), the Board recommended that UNDP remind line units of the need to confirm receipt of goods and services promptly.**

82. The recommendation is noted. It has always been UNDP policy to ensure that line managers confirm receipt of goods and services before the actual payments are approved. This is further emphasized in the revised Finance Manual, which was issued in May 2000.

83. The Comptroller, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

84. **In paragraph 10 (i), the Board recommended that UNDP establish a database of potential suppliers.**

85. The recommendation is noted. Procurement at headquarters is done on a somewhat limited scale and covers a narrow range of goods and services,

essentially data-processing equipment, office supplies, office furniture, office equipment, printing and building maintenance services. As such, an informal roster of potential suppliers is maintained. The divisions at headquarters undertaking procurement make use, where possible, of the United Nations supplier roster maintained by the Procurement Division of the United Nations. In addition, for a number of common items, UNDP is able to use the long-term agreements entered into by the United Nations and UNFPA. UNDP also has access to the United Nations common supply database maintained by the UNDP Inter-agency Procurement Services Office on behalf of the United Nations system. It may not, therefore, be cost-effective for UNDP to establish and maintain its own separate formal database.

86. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

87. **In paragraph 10 (j), the Board recommended that UNDP develop more formal monitoring of supplier performance.**

88. The recommendation is noted, as are the accompanying comments on good practices of monitoring. UNDP will formalize its monitoring practices to capture relevant information on supplier performance.

89. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

90. **In paragraph 10 (k), the Board recommended that UNDP undertake a cost-benefit analysis to assess the savings likely to accrue from the development of a green procurement policy.**

91. The recommendation is accepted, and UNDP will take action accordingly.

92. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

93. **In paragraph 10 (l), the Board recommended that UNDP follow up on the recommendations made in the 1998 report on energy use and environmental impacts on the offices located at 304 East 45th Street (FF Building) and 1 United Nations Plaza (DC-1 building).**

94. The recommendation is accepted. Among the measures being taken to follow up on the recommendations made in the 1998 report on the FF Building is the retrofitting of the building. The request-for-proposal process is ongoing. This comprehensive energy efficiency retrofit will not only address equipment upgrades with control systems (air conditioning and lighting), but will also address managerial and maintenance issues. Implementation of the retrofit will begin by the end of 2000. With respect to the DC-1 Building, it is important to note that it is rented by UNDP from the United Nations, which in turn rents it from the United Nations Development Corporation. As the FF Building retrofit project is the first of its kind undertaken by the United Nations system, a successful outcome is likely to influence the United Nations in undertaking a similar initiative in the DC-1 Building. UNDP has already advised the United Nations of this initiative and will report on the results to the United Nations for possible replication in the DC-1 Building. In advocating this approach, UNDP will actively follow up this initiative.

95. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

96. **In paragraph 10 (m), the Board recommended that UNDP introduce improved monitoring of paper use across divisions and that it set a target for a reduction in paper use. The Board also recommended that UNDP set standards for printer and copier use, for example, ensuring that all machines default to double-sided printing.**

97. The recommendation is accepted. UNDP confirms that an action plan will be implemented by September 2000.

98. All new printer acquisitions are required to have duplex capability, and UNDP is standardizing printers and replacing the energy-inefficient ones. The Advisory Committee on Procurement has endorsed this plan.

99. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

100. **In paragraph 10 (n), the Board recommended that country offices ensure that executing agencies provide quarterly reports on the progress of projects and that UNDP take prompt corrective action when projects fall behind schedule.**

101. The recommendation is noted. In the past, UNDP programming procedures required quarterly reporting by executing agencies (then primarily specialized agencies of the United Nations system), but this requirement became burdensome and was reduced to annual reporting in the context of annual tripartite reviews of projects. As the extent to which agency execution is utilized as a modality for managing UNDP-supported projects has become limited, it may not be efficient to change current practices. At present, the largest portion of UNDP-supported projects are under national execution. A requirement for quarterly reporting under this modality already exists, since national executing agencies are required to report on the progress of projects in connection with requests for payment of quarterly advances of resources.

102. The Director, Operations Support Group, is responsible for implementation of this recommendation.

103. **In paragraph 10 (o), the Board recommended that UNDP use the financial information management shadow budgeting facility to implement a more realistic planning system and control the timing of project delivery.**

104. UNDP does use the financial information management shadow budgeting facility to manage the resources. A more realistic planning system and control to time project delivery would depend on factors beyond shadow budgeting, such as untimely delivery of goods and services ordered. However, the recommendation is accepted, and UNDP is already instituting systems such as results-based management towards the better control and timing of project delivery.

105. The Division for Resources Planning and Coordination, Bureau of Management, designed the financial information management shadow budgeting facility as a critical tool to be used by programme managers for ensuring realistic programme resource planning and delivery at both the individual project and overall programme levels. As financial information management is a decentralized system, the degree to which the shadow budgeting facility is used ultimately depends on individual users. The Division is currently preparing a letter to all resident representatives highlighting existing critical financial information management functionalities. UNDP will include appropriate text with respect to the shadow budgeting facility.

106. The Directors, Division for Resources Planning and Coordination, Bureau of Management, are responsible for implementation of this recommendation.

107. **In paragraph 10 (p), the Board recommended that UNDP ensure that all project documents and revisions contain information on the overall project budget, broken down by subheading and phased in over the life of the project; and the overall project budget broken down by objective or sub-objective.**

108. All budgets currently reflect annualized, approved inputs at the component/line level over the life of the project.

109. Budgeting by objectives and outputs was incorporated into the programme support document format and software. Moreover, the Programming Manual advocates the use of this methodology for project documents as well. These procedures are contained in the new Programming Manual, which was issued in April 1999. Project documents prepared before that date would not have benefited from those procedures. UNDP will ensure, through the country-office management plan and the results-oriented annual report, that procedures in the manual are followed.

110. The Director, Operations Support Group, is responsible for implementation of this recommendation.

111. **In paragraph 10 (q), the Board recommended that UNDP prepare project plans only on the basis of committed funding.**

112. It is indeed UNDP policy that project documents reflect only such funds as are available within ceilings for commitments for the current planning period (financial rule 111.01 (d)) at the time of signing the document. Country offices that do otherwise are in violation of the policy. As part of its oversight function, UNDP will begin to monitor project budgets to ensure the policy is followed.

113. The Director, Operations Support Group, is responsible for implementation of this recommendation.

114. **In paragraph 10 (r), the Board recommended that UNDP ensure that all projects contain quantified and measurable performance indicators or targets, and that it measure the progress of a project against those criteria. The Board also recommends that country offices carry out regular monitoring and evaluation in line with UNDP guidelines.**

115. The elements of the recommendation are provided for in the Programming Manual although older project documents may not contain them. New programming instruments are being developed and promulgated in UNDP to address delivery, results and performance through the results-based management and the country-office management plan. Once these instruments are in use in all countries, in 2001, UNDP will have in place a system of annual reviews and results-oriented annual reports to monitor the application of the new instruments, to assess the achievement of performance indicators and to monitor and evaluate performance.

116. The Directors, Operations Support Group and Evaluation Office, are responsible for implementation of this recommendation.

117. **In paragraph 10 (s), the Board recommended that the Office of Audit and Performance Review ensure that each member of the staff receives sufficient training to ensure that the organization retains its technical competency.**

118. In general, the Office of Audit and Performance Review has ensured training of its staff based on its annual training plans. For 1999, IMIS, as a new corporate tool, became a training priority, which affected training efforts and overall training expenditure as it was conducted in house. The Office benchmarked all staff against the results of the learning, training and development exercise in 1999 and identified long-term training and development needs. By the end of 2000, the Office will develop individual long-term learning, training and development plans specific to each staff member of the Office and ensure that they are implemented.

119. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

120. **In paragraph 10 (t), the Board recommended that the Office of Audit and Performance Review follow up on the control self-assessment workshop reports and, where applicable, use this information to inform its risk assessments and audit planning.**

121. This recommendation is accepted. The Office will institute this as a mandatory practice in the planning of its audits by the end of 2000. The control self-assessment reports will systematically be posted on the Office's web site, with access only to Office staff, as part of the permanent files.

122. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

123. **In paragraph 10 (u), the Board recommended that, as a first step in each audit and to help inform audit planning, the Office of Audit and Performance Review document the key systems and controls and keep the information on file permanently to facilitate subsequent audits.**

124. The recommendation is accepted. The Office will identify key systems and ideally incorporate them in electronic format, subject to availability of resources. References/links will also be made to the electronic corporate systems documentation already in existence. We anticipate that the majority of the work will be done by the end of 2000. However, for systems, that do not have complete documentation, additional review and analysis may be continued through the first half of 2001.

125. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

126. **In paragraph 10 (v), the Board recommended that the Office of Audit and Performance Review develop an internal audit manual that provides a framework for its future operations, and that it support the manual with a series of comprehensive audit guidance notes to provide detailed advice for the effective performance of the audits.**

127. This recommendation is accepted. The audit manual will be completed and made available electronically by the end of 2000.

128. The Director, Office of Audit and Performance Review, is responsible for this recommendation.

129. **In paragraph 41, the Board recommended that UNDP require resident representatives to certify the accuracy of the annual country office inventory returns and to monitor returns to ensure that all are received. The Board also recommended that UNDP review the headquarters inventory and ensure that it provides realistic valuations for all equipment. The Board further recommended that UNDP intensify its effort to develop a suitable inventory control system.**

130. This recommendation is accepted. UNDP will ensure that action is completed by the first quarter of 2001.

131. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

132. **In paragraph 42, the Board recommended that during 2000 UNDP complete its review of advances to Governments that had been outstanding for more than a year and write off all necessary amounts.**

133. This recommendation is accepted. As part of its efforts to simplify the accounts, UNDP plans to commence a review of all pending receivables, including the outstanding advances to Governments, and to proceed to the necessary write-offs by June 2001.

134. The Comptroller, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

135. **In paragraph 64, the Board recommended that UNDP clarify the status of ongoing UNDP 2001 activities, given that it has formally closed the UNDP 2001 initiative, and, if appropriate, establish detailed budgets needed to fulfil them.**

136. At the formal conclusion of the UNDP 2001 initiative, on 31 December 1999, there were five remaining activities, four of which will be completed by the end of 2000 and one of which is included under the current business plan implementation. Detailed work plans and budgets have been established for all five activities.

137. The Deputy Assistant Administrator and Director, Office of Planning, Bureau of Management, is responsible for implementation of this recommendation.

138. **In paragraph 67, the Board recommended that, in a project such as UNDP 2001, UNDP should identify individuals responsible for implementation and monitor targets periodically in order to identify problems as early as possible and take any necessary remedial action.**

139. See the response to the recommendation in paragraph 10 (c) above (paras. 68-71).

140. **In paragraph 72, the Board recommended, and the country offices accepted, that offices should improve timetable arrangements.**

141. The recommendation is accepted. During 1999, a major exercise was carried out to agree on dates for harmonizing programme cycles. In addition, with the introduction of the country office management plan in 2001, each country office would be required to specify in its plan their timetables for common country assessments and United Nations development assistance frameworks.

142. The Director, Operations Support Group and the assistant administrators and regional directors are responsible for implementing this recommendation.

143. **In paragraph 79, the Board recommended that all country offices complete job descriptions and competency statements for all posts and that they use them to develop appropriate training plans for staff.**

144. In line with phase II of the reduction exercise, the country offices are expected to reduce their budget by 15 per cent in 2001. This will, in any case, affect the organization of the office and will no doubt require the redesign of job descriptions with competency statements and relevant retraining.

145. The Learning Resources Centre of the Office of Human Resources Management supports the development of appropriate training plans to accompany both new job descriptions and the alignment of competency statements for all posts, however, the expertise available from the Centre is limited. It is therefore the recommendation of the Centre that, in the interim, training plans be based on existing performance appraisal report recommendations.

146. The scope for creating new job descriptions and competency statements for the posts in all the UNDP country offices is extremely wide. In the context of the current reduction exercise at UNDP and the forthcoming restructuring expected of country offices, UNDP will need to determine the appropriate support for this important exercise and the level of additional resources required. It is too soon to know exactly the scope of this exercise, but it will be an early priority to be developed in connection with the eventual plans for country office restructuring. The approximate target date is the end of 2001.

147. The Director, Office of Human Resources, Bureau of Management, is responsible for implementation of this recommendation.

148. **In paragraph 97, the Board recommended that UNDP benchmark its performance in the time taken to let contracts, establish timetables for each element of the procurement process and monitor performance against them.**

149. The recommendation is accepted. UNDP will establish appropriate benchmarks for the letting of contracts.

150. The Director, Office of Legal and Procurement Support, Bureau of Management, is responsible for implementation of this recommendation.

151. **In paragraph 102, the Board recommended that UNDP build on the examples of good practice and ensure that clear terms of reference are used for bids and, where possible, use standard pricing sheets to assist in the evaluation of bids.**

152. Existing procurement guidelines will be further elaborated to disseminate information on best practices by the end of 2000.

153. The Director, Office of Legal and Procurement Support, Bureau of Management, is responsible for implementation of this recommendation.

154. **In paragraph 106, the Board recommended that UNDP ensure that country offices submit to the Advisory Committee on Procurement all procurement actions falling outside their delegated level of authority.**

155. The recommendation is accepted. UNDP shares the concerns expressed by the Board in this regard. Through the adoption of its revised procurement framework, as is now manifested in the new Finance Manual (which in turn is derived from the newly adopted and revised Financial Regulations and Rules), the limits of the authority of resident representatives to approve procurement actions have been clarified. UNDP plans to issue further detailed guidelines on procurement during the latter part of 2000 in order to assist country offices in adopting best procurement practices. In addition, new, more efficient methods of training procurement staff in country offices are being sought in order to improve the ability of country offices to comply with applicable rules and procedures. However, the situation will be monitored closely through mandatory reports of country offices on procurement activities and through regular internal auditing where procurement will be a special focus.

156. The Director, Office of Legal and Procurement Support, Bureau of Management, is responsible for implementation of this recommendation.

157. **In paragraph 117, it is recommended that UNDP give a higher profile to internal environmental issues. The Board also recommended that as it develops an environmental management strategy, UNDP incorporate key elements of good practice described in the international standard supporting sustainable business development (ISO 14001), particularly:**

(a) Approval of the environmental management strategy at the Executive Board level;

(b) Completion of environmental risk assessments;

(c) Documentation of environmental practices;

(d) Development of environmental objectives and targets, supported by measurable performance indicators to assess progress;

(e) Regular progress reports to the Executive Board;

(f) Identification of environmental training needs for staff and provision of resources to meet such needs;

(g) Internal audit or evaluation procedures that cover all activities that can potentially affect the environment.

158. The recommendation for UNDP to give a higher profile to internal environmental issues is welcomed. An assessment, funded by the Swedish International

Development Authority, of how UNDP is currently incorporating environmental sustainability issues into its worldwide operations has been carried out, and the draft report is in preparation. This report will outline options for how an environmental management strategy could be organized in UNDP, including most of the recommendations made by the Auditors. This report will be finalized by September 2000, and its recommendations will be reviewed by the Sustainable Energy and Environment Division, Bureau for Development Policy, and by the Greening UNDP Task Force for transmission to the Executive Team for a decision in early 2001 at the latest. The specific recommendations of the Auditors will be reviewed and taken into consideration in the September 2000 report.

159. The Director, Sustainable Energy and Environment Division, Bureau for Development Policy, is responsible for implementation of this recommendation.

160. **In paragraph 118, the Board recommended that each office develop formal green policies and establish a focal point to take matters forward.**

161. The recommendation is accepted. The "green" policy of UNDP has been in place since 1995, when the publication entitled "The Green Office Initiative" was officially released. To enhance ecological effectiveness at the country level, there is a need to develop detailed guidelines and practical tools. The Bureau for Development Policy and the Bureau of Management are working together on this issue and expect to develop such tools by the end of this year. To facilitate implementation at the country offices, UNDP will be pursuing the establishment of environmental targets, such as those related to paper and energy consumption, with the country offices.

162. The Director, Sustainable Energy and Environment Division, Bureau for Development Policy, is responsible for implementation of this recommendation.

163. **In paragraph 125, the Board recommended that UNDP develop appropriate tools and information to assist staff in their consideration of green issues at an early stage of the procurement process.**

164. The recommendation is accepted. UNDP agrees that it is extremely important that staff at headquarters and in the country offices have access to appropriate tools and information to give proper consideration to environmental issues at early stages of the procurement process. To this end, a representative of the UNDP Sustainable Energy and Environment Division was added to the Advisory Committee on Procurement in 1999 to help ensure that green issues are considered in procurement decisions. UNDP will develop for use by the Committee and country offices, by 31 January 2001, basic environmental guidelines, an overview of the key issues involved and sources of detailed and reliable information, as well as generic recommendations on major procurement items. These guidelines and background information will also be placed on the UNDP web site for easy access by UNDP staff and others after being prepared by the Environmental Policy Adviser and Procurement Adviser.

165. The Director, Office of Legal and Procurement Support, Bureau of Management, is responsible for implementation of this recommendation.

166. **In paragraph 131, the Board recommended that country offices address energy efficiency when preparing their individual green-office policies.**

167. The recommendation is accepted. To ensure consistency, UNDP is planning to issue guidelines or a checklist covering various aspects of energy conservation at the country office level. They will be issued by the end of this year.

168. The Chief, Administrative Services Division, Office of Finance and Administration, Bureau of Management, is responsible for implementation of this recommendation.

169. **In paragraph 149, the Board recommended that UNDP complete and issue to country offices as a matter of priority the guidelines on projects funded by a major donor with incompatible accounting practices.**

170. The recommendation is accepted. The Division for Resources Planning and Coordination, Bureau of Management, will release draft guidelines by December 2000 on this donor's funded projects for internal UNDP review, comments and approval.

171. The Director, Division for Resources Planning and Coordination, Bureau of Management, is responsible for implementation of this recommendation.

172. **In paragraph 162, the Board recommended that the Office of Audit and Performance Review assess qualification needs for each audit post and draw up a strategy to ensure that those needs are met.**

173. The Office of Audit and Performance Review believes that this recommendation has already been addressed. In early 1999, as part of establishing its learning, training and development framework, the Office identified the proficiency requirements (in terms of knowledge, skills and experience) for all audit posts. Existing staff of the Office were assessed against the established proficiency requirements and identified gaps were included in learning, training and development plans. These proficiency requirements have also been used to assess candidates during subsequent recruitment actions.

174. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

175. **In paragraph 171, the Board recommended that the Office of Audit and Performance Review conduct a detailed analysis of the risks to management information and financial controls associated with IMIS implementation and perform appropriate reviews of the system and its interfaces.**

176. The recommendation is accepted. The Office of Audit and Performance Review will undertake a detailed analysis of the risks associated with IMIS systems and its interfaces and will include in its 2001 audit plan a review of IMIS, with the scope to be determined as a result of the analysis.

177. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

178. **In paragraph 174, the Board recommended that the Office of Audit and Performance Review ensure greater coverage of the Europe and Commonwealth of Independent States region during the biennium 2000-2001, especially given the growth in the number of these country offices in recent years.**

179. The recommendation is accepted, and the recommendation is in the process of being implemented. In order to increase the level of coverage of Europe and the Commonwealth of Independent States, the Office has already started the process of obtaining contract resources (contracts for activities of limited duration), which is expected to be completed by late 2000 or early 2001. Furthermore, by the end of 2000, the Office will have completed the management audits of at least four country offices in that region.

180. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

181. **In paragraph 177, the Board recommended that the Office of Audit and Performance Review conduct formal, independent reviews to determine how effectively management is implementing the control self-assessment action plans.**

182. The recommendation is accepted. The control self-assessment initiative started in 1999 and is still in its early stages. The Office of Audit and Performance Review will undertake a review of the control self-assessment implementation process by the end of 2000. Currently, the control self-assessment process includes the completion of an action plan, which is required of management at the end of each control self-assessment exercise. For the results of the control self-assessment conducted in 1999, which had action plans, and those conducted in 2000, the Office will initiate a formal process for identifying and following up management actions to implement the recommendations. The Office will also identify the negative impact on service delivery of these additional efforts, which are subject to overall availability of resources.

183. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

184. **In paragraph 181, the Board recommended that the Office of Audit and Performance Review revise its long-term plan to take account of risk to individual systems.**

185. The recommendation is accepted. The Office will identify by 31 December 2000 corporate systems and/or functions that will be taken into consideration in the next long-term and annual audit plans.

186. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

187. **In paragraph 184, the Board recommended that the Office of Audit and Performance Review prepare audit programmes for all the functional**

and systems management audits it intends to perform, which management of the Office should review prior to the commencement of the audits to ensure that the proposed coverage is complete and meets the defined audit objectives.

188. The recommendation is accepted. Commencing immediately, the Office will prepare detailed audit programmes for all functional and systems audits prior to the commencement of such audits.

189. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

190. **In paragraph 186, the Board recommended that the Office of Audit and Performance Review develop a system to properly identify the full cost of each output.**

191. The recommendation is accepted. By the end of December 2000, the Office will develop a concept paper to consider alternative cost models. One of these will be selected and implemented as a prototype by the end of 2001. UNDP anticipates the full implementation of the activity-base costing module in 2002. It should be noted, however, that this exercise will require significant resources and may result in the reduction of resources available for service delivery.

192. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

193. **In paragraph 194, the Board recommended that the Office of Audit and Performance Review introduce a standard approach for conducting and evidencing the management review of working papers.**

194. The Office believes that this recommendation has already been addressed. As a result of the quality assurance review initiated by the Office, changes were introduced in 1999 with respect to the requirements for review of working paper files, including additional documentation of the review process.

195. **In paragraph 199, the Board recommended that the Office of Audit and Performance Review review on a test basis the working papers of all its contractors to ensure that they obtain sufficient, relevant and reliable audit evidence to support their conclusions.**

196. The recommendation is accepted. Owing to concerns about service quality, the use of firms to provide contracted audits of country offices has been discontinued, except in the Asia and Pacific and Arab States regions. The working papers of the firm providing services in those regions will be reviewed on a test basis before the end of 2000.

197. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

198. **In paragraph 203, the Board recommended that UNDP re-establish the Management Review and Oversight Committee by reappointing individuals to the vacant seats on the Committee.**

199. The recommendation is accepted. The Committee is being re-established, and at least one meeting will be held before the end of 2000.

200. The Director, Office of Audit and Performance Review, is responsible for implementation of this recommendation.

D. United Nations Children's Fund

201. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNICEF for the biennium ended 31 December 1999[6] are set out below.

202. The Executive Director is responsible for overseeing the implementation of audit recommendations. This responsibility is shared by the senior staff responsible for the specific areas covered in the recommendations.

203. **In paragraph 12 (a), the Board recommended that UNICEF closely monitor the level of programme implementation so that desired implementation benchmarks can be achieved.**

204. UNICEF takes a number of steps to ensure the close monitoring of programme implementation levels:

(a) At the field level, country offices pay particular attention to programme expenditure rates, achievement of programme objectives and the impact that programmes are having on the lives of women and children during their annual and mid-term reviews. Further, with the use of management tools provided by ProMS, country offices are able to monitor their

expenditure performance and take corrective actions if necessary;

(b) At the headquarters level, the Programme Division analyses the financial implementation of country programmes and provides reports to the global management team on country performance, together with recommendations for improvement twice a year. With continued monitoring of country office performance, the provision of programme guidelines and dissemination of best practices, increased implementation levels are expected.

205. The Deputy Executive Director, Programme and Strategic Planning, is responsible for implementation of the recommendation.

206. **In paragraph 12 (b), the Board recommended that UNICEF revise the mandate of the Office of Internal Audit to reflect the annual reporting to the Executive Board.**

207. In accordance with the proposal made by UNICEF to the Executive Board at its third regular session in 1997, the Secretariat presented an annual report to the Executive Board in 1998. The mandate of the Office of Internal Audit will be revised by 31 December 2000 to reflect the annual reporting to the Executive Board.

208. The Executive Director and the Director, Office of Internal Audit, are responsible for implementation of the recommendation.

209. **In paragraph 12 (c), the Board recommended that the Office of Internal Audit formulate policy guidelines on the preparation of working papers in compliance with accepted internal auditing standards, and that evidence of a supervisory review be shown on working papers to confirm that they have been subject to the proper level of review.**

210. The Office of Internal Audit has established a working group to develop a policy and management procedure for the preparation and review of audit working papers to meet accepted internal auditing standards. The new policy and procedures will become effective within the Office from 1 January 2001.

211. The Executive Director and the Director, Office of Internal Audit, are responsible for implementation of the recommendation.

212. **In paragraph 12 (d), the Board recommended that UNICEF take expeditious action to extend the database tracking system to all regional offices and headquarters divisions to enhance the capacity for monitoring internal audit recommendations.**

213. The Office of Internal Audit has established a working group to develop enhancements to the audit database that will allow the regional offices and headquarters divisions access to the audit recommendations and appropriate elements of audit reports. The revised database will be completed and operational within the Office of Internal Audit by 31 December 2000. Access to the database will be progressively rolled out to the regional offices and headquarters divisions in 2001.

214. The Executive Director and the Director, Office of Internal Audit, are responsible for implementation of the recommendation.

215. **In paragraph 12 (e), the Board recommended that the Americas and Caribbean Regional Office ensure that the integrated monitoring and evaluation plan is implemented in the remaining 23 country offices to enhance monitoring and evaluation of programmes in the region.**

216. In preparation for the next programme cycle, the countries under the Americas and Caribbean Regional Office will be holding strategy meetings in the last quarter of 2000. The regional office participating in the meetings will ensure that those countries fully implement the plan.

217. The Regional Director, Americas and Caribbean Regional Office, is accountable for implementation of the recommendation.

218. **In paragraph 19 (a), the Board recommended that UNICEF improve its working capital management in order to attain the accepted liquidity standard.**

219. UNICEF continuously assesses its working capital management in the light of the recommendation of the Board of Auditors.

220. The UNICEF Comptroller is responsible for implementation of the recommendation.

221. **In paragraph 19 (b), the Board recommended that UNICEF disclose separately convertible balances of general resources and supplementary funds in the notes to the financial statements to facilitate the determination of liquidity position in accordance with UNICEF policy.**

222. UNICEF will review the issue of separate disclosure of convertible balances of regular resources (general resources) and other resources (supplementary funds and emergency relief/rehabilitation) in the notes to the financial statements when preparing the financial statements for the biennium 2000-2001.

223. The UNICEF Comptroller is accountable for implementation of the recommendation.

224. **In paragraph 38, the Board recommended that UNICEF develop non-financial performance indicators as a basis for assessing its programme performance.**

225. Financial implementation rate is only one of many indicators being used to monitor programme performance. Country office management augments expenditure rates with monitoring implementation through field visits to ensure that inputs have been received, that activities have been carried out and that performance indicators are being measured. In addition, country offices set out annual management plans to define programme objectives, strategies for achieving the objectives, the inputs necessary to carry out the activities that will attain the objective and a monitoring system whereby indicators are measured to ensure that the desired outcome is achieved.

226. The Deputy Executive Director, Programme and Strategic Planning, is accountable for implementation of the recommendation.

227. **In paragraph 57, the Board recommended that UNICEF consider including a representative from another United Nations organization on its Internal Audit Committee.**

228. The Administration is considering the addition of representation from another United Nations organization on its Audit Committee. UNICEF has commissioned a quality assurance review of the audit function, which will be conducted in mid-2001 by the Institute of Internal Auditors. The review will include a consideration of the role and membership of the UNICEF Audit Committee, and the Administration will carefully review the observations and recommendations of that review in addressing the subject.

229. The Executive Director is accountable for implementation of the recommendation.

230. **In paragraph 80, the Board recommended that UNICEF establish a roster to guide its selection of consultants in the Supply Division, and that the Supply Division fully comply with established procedures relating to the evaluation of consultants.**

231. The Supply Division has established a roster of qualified and pre-screened candidates to allow for a more efficient selection process for temporary assignments. The Division has also established individual files for all consultants. Further, the Division will no longer issue final payments on consultancy contracts unless the evaluation reports are presented with the payment requests.

232. The Director, Supply Division, is responsible for implementation of the recommendation.

233. **In paragraph 83, the Board recommended that the management of the Americas and the Caribbean Regional Office ensure full compliance with administrative instructions relating to the engagement of consultants.**

234. In an all-staff meeting held in December 1999, the Regional Director of the Americas and the Caribbean Regional Office led the review of the audit findings and, in particular, the underlying causes of the delays in the signing of special service agreements. To address the audit finding, it was agreed that the Office's quarterly monitoring reports would include, as a management performance indicator, the number of special service agreements that were signed on time. Improvement in this area in 2000 has been noted. The Americas and the Caribbean Regional Office will continue to stress the importance of ensuring compliance with the relevant administrative instructions and will include the management indicator regarding the timely signing of special service agreements as an input in the staff's performance evaluation reports for 2000.

235. The Regional Director, the Americas and the Caribbean Regional Office is responsible for implementation of the recommendation.

236. **In paragraph 88, the Board recommended that the Brasilia field office closely monitor purchase orders to ensure more timely delivery of goods.**

237. With the implementation of the ProMS supply module in the Brasilia office, monitoring of purchase orders has become more transparent. Project officers are now in a position to check the pending supplies,

and this information will enable the staff to follow up on the timely delivery of goods.

238. The Regional Director, Americas and the Caribbean Regional Office, and the representative of the Brasilia field office are accountable for implementation of the recommendation.

239. **In paragraph 90, the Board recommended that the procurement procedures relating to competitive bidding be complied with fully.**

240. To ensure competitive bidding, the Jakarta field office invited five and seven suppliers, on 25 September 1998 and 3 March 2000 respectively, when the office needed to procure additional supplies that were the subject of the audit recommendation. Further, the field office is taking the following steps: (a) reviewing the present bidders' list for further categorization of suppliers (i.e., big, small and medium companies); (b) completing the company profiles of existing and new suppliers in the bidders' list; and (c) evaluating the company suppliers. In addition, the field office is now using a waybill system to control and monitor the flow of supplies.

241. The Regional Director for the East Asia and the Pacific Regional Office and the representative of the Jakarta field office are accountable for implementation of the recommendation.

E. United Nations Relief and Works Agency for Palestine Refugees in the Near East

242. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNRWA for the biennium ended 31 December 1999[7] are set out below.

243. **In paragraphs 10 (a), 10 (b) and 41, the Board recommended that the Administration review the policy on the pre-financing of donor-specified projects in view of the adverse effect on the cash flow of the Agency and recover the $24.2 million outstanding from donors and reimburse the regular budget funds.**

244. A very small number of donors require the Agency to advance project funds to be reimbursed for actual expenditures incurred. The Agency regularly negotiates with donors in order to avoid having to enter into such agreements. In a few cases, the Agency authorizes advance funding for projects. This practice is restricted to cases in which specific donor agreements have been negotiated and signed in respect of full project funding in situations where the Agency has to meet initial funding requirements in order to get a project under way. In most cases advance funding is authorized only when advances do not have an impact on the Agency's cash flow. Both the External Relations Office and the Budget Division monitor cash outflow on such projects very closely in order to avoid any expenditure beyond the level of funding received and to request additional donor funds in time.

245. **In paragraphs 10 (c) and 44, the Board recommended that the Agency strengthen its efforts to recover the outstanding tax reimbursements of $23.72 million and make further appeals to two Governments to accept the tax-exempt status of the Agency.**

246. The Agency has vigorously pursued this matter at all levels with a view to resolving the long-standing matter in a mutually acceptable manner, and some progress has been achieved. The 1999 value-added tax of $1.2 million for the Gaza field office has been fully reimbursed. Management continues to make representations to various government authorities on this subject.

247. **In paragraphs 10 (d), 10 (e) and 51, the Board recommended that the Administration recover all overpayments relating to extended monthly evacuation allowances and education grants and review the various administrative instructions relating to the above grants.**

248. Out of the initial 14 cases, 9 have been fully settled, 2 are under appeal and 3 are being pursued by the Legal Office. Concerted efforts are being made by the Human Resources Division, the Legal Adviser and the Accounts Division to recover these overpayments.

249. **In paragraphs 10 (f) and 55, the Board recommended that the Agency develop and implement a computerized asset management system in order to better manage and control its non-expendable property items.**

250. The main area of concern was in the non-expendable properties transferred from Vienna to the Amman and Gaza headquarters. This mostly included various items of furniture, fittings and so on. When

they were initially relocated, neither the locator cards nor the value cards were reconciled in the two headquarters. An exercise was conducted at the Gaza headquarters to identify those assets, and a similar exercise is in progress at Amman.

251. The Comptroller will ensure that a complete reconciliation is completed before the closure of the first half of the biennium in December 2000, and the imminent reform of the financial system will incorporate a fully integrated and functional fixed-asset system.

252. **In paragraph 19, the Board recommended that for more accurate and transparent financial reporting the Agency disclose information on its cash flow statement in line with the United Nations accounting standards, including the disclosure of current and prior year comparative amounts.**

253. The Comptroller will ensure that this is incorporated into the mid-biennium 2000 financial statements.

254. **In paragraph 21, the Board recommended that full disclosure of the Agency's contingent liabilities be included in the notes to the financial statements.**

255. The Comptroller will ensure that they are incorporated into the mid-biennium 2000 financial statements.

256. **In paragraph 26, the Board recommended that the Agency include in its notes to the financial statements the method of valuation of its non-expendable equipment and motor vehicles.**

257. The Comptroller will ensure that this is incorporated into the mid-biennium 2000 financial statements.

258. **In paragraph 28, the Board recommended that the format of presentation of the Agency's statement of income, expenditure and changes in reserves and fund balances be improved further to disclose the net excess or shortfall of income and expenditure.**

259. The Comptroller will ensure that this is incorporated into the mid-biennium 2000 financial statements.

260. **In paragraph 34, the Board recommended that the Agency develop specific generic performance indicators as a basis for assessing programme performance.**

261. The Agency's new budget format, together with the proposed new finance system, which is currently being installed, will facilitate the consideration and development of appropriate performance indicators by programme management.

F. United Nations Institute for Training and Research

262. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNITAR for the biennium ended 31 December 1999[8] are set out below.

263. **In paragraph 10 (a), the Board recommended that UNITAR disclose in the financial statements the value and method of valuation of non-expendable property and the amount of liability for end-of-service benefits, post-retirement benefits and annual leave.**

264. This matter will be discussed with the United Nations Office at Geneva Finance Section, and a decision regarding disclosure will be made before the end of the current biennium.

265. The Executive Director and the Finance and Administration Officer are responsible for implementation of the recommendation.

266. **In paragraph 10 (b), the Board recommended that UNITAR regularly review unliquidated obligations in order to cancel those which are no longer valid.**

267. Savings on prior-year obligations during the biennium 1998-1999 were significant. These savings related mainly to 1997 obligations cancelled on 31 December 1998. During 1999 UNITAR developed a procedure in which unliquidated obligations are reviewed every month. This procedure has been in operation for over one year and is working effectively, such that unliquidated obligations that are no longer valid are cancelled immediately.

268. The Finance and Administration Officer is responsible for implementation of the recommendation.

269. **In paragraph 10 (c), the Board recommended that UNITAR ensure that funds are available in**

advance of signing any contracts with staff or Special Fellows.

270. Since January 2000 UNITAR policy has been that contracts for staff and Special Fellows will be issued only if funds are available.

271. The Executive Director and the Finance and Administration Officer are responsible for implementation of the recommendation.

272. **In paragraph 10 (d), the Board recommended that UNITAR establish clear procedures for selecting and appointing Special Fellows and Senior Special Fellows, which should include: a clear statement of their purpose and functions; clear criteria to be met by all candidates; a requirement to consider as wide a selection of candidates as is possible and feasible; and a process of review carried out independently of the recommending staff member.**

273. UNITAR recognizes the fact that the procedures concerning the use of Special Fellows needs clarification. A thorough study of Special Fellows will be undertaken that will investigate selection and appointment, duration of contracts, content of letters of appointment and level of remuneration and any other benefits. This will be implemented during the second half of 2000.

274. The responsibility for implementing this recommendation lies with the Executive Director and the Finance and Administration Officer.

275. **In paragraph 10 (e) the Board recommended that UNITAR establish guidelines for the duration of contracts of Special Fellows and Senior Special Fellows.**

276. This matter will be dealt with in conjunction with recommendation 10 (d).

277. **In paragraph 10 (f) the Board recommended that UNITAR ensure that appointment letters for Special Fellows provide a clear description of the duties to be performed, including precise and measurable outputs.**

278. This matter will be dealt with in conjunction with recommendation 10 (d).

279. **In paragraph 10 (g), the Board recommended that UNITAR ensure that payments to Fellows follow the principles set out in the United Nations guidelines on consultant remuneration, which require the primary considerations to be the complexity, difficulty and extent of the work to be performed and the degree of expertise required to accomplish it.**

280. This matter will be dealt with in conjunction with recommendation 10 (d).

281. **In paragraph 10 (h), the Board recommended that UNITAR ensure that any benefits provided to Fellows are in accordance with article VI of the Statute and are clearly stated in the appointment letters.**

282. This matter will be dealt with in conjunction with recommendation 10 (d).

283. **In paragraph 22, the Board recommended that UNITAR appraise the recoverability of the remaining deficit balances and write off any amounts that are not recoverable.**

284. UNITAR has three deficit balances that have been outstanding for more than four years totalling $51,375. All three balances relate to debts owed to UNITAR. UNITAR is currently taking steps to recover two balances with a total value of $18,149. If it is unsuccessful, those balances will be written off during the biennium 2000-2001. The third balance, of $33,227, refers to a payment made by the United Nations Office at Geneva that must be recovered or written off by the Office.

285. **In paragraph 28, the Board recommended that UNITAR obtain from UNDP supporting documentation for the outstanding inter-office vouchers, in the absence of which UNITAR should agree with UNDP how the amounts concerned should be cleared.**

286. The balance of $25,001 remains unidentified. UNITAR agrees with the recommendation of the Board of Auditors and will execute it as suggested in the second half of 2000.

287. The Finance and Administration Officer is responsible for implementation of this recommendation.

288. **In paragraph 43, the Board recommended that UNITAR append a standard set of conditions to all letters of appointment that addresses key issues such as confidentiality, avoidance of conflicts of**

interest, title rights for work produced and arbitration of disputes

289. This matter will be dealt with in conjunction with recommendation 10 (d).

290. UNITAR has fully implemented the recommendations made in the reports to the Board of Auditors for the financial periods ended 31 December 1997 and earlier.

G. Voluntary Funds administered by the United Nations High Commissioner for Refugees

291. The action taken or to be taken to implement the recommendations of the Board of Auditors contained in the report on the accounts of UNHCR for the biennium ended 31 December 1999[9] are set out below.

292. **In paragraph 13 (a), the Board recommended that UNHCR ensure complete and accurate disclosure of non-expendable property, urge all field offices to submit updated inventory databases, prepare the comprehensive database for non-expendable property based on the same cut-off date and conduct on a regular basis physical stock checks.**

293. The management of non-expendable property at UNHCR is a decentralized process. In the field, each country operation is responsible for maintaining a complete and accurate database of the non-expendable property under their care and under the care of implementing partners. At headquarters, non-expendable property management is the responsibility of the Building Service Management Unit.

294. The Asset Management Unit, within the Financial Resources Service, is responsible for compiling the figures that are included in the financial statement.

295. Until 1999, the Office was using MINDER software to facilitate the recording of the pertinent non-expendable property data. The software was not year-2000-compliant and required upgrading. In the second quarter of 1999, however, the vendor of MINDER notified UNHCR that it would not continue to support this software in 2000. Moreover, the software was found to be not user-friendly and was beset with technical problems. This led to a low overall compliance rate in reporting data on non-expendable property. Nevertheless, headquarters and the UNHCR Section of the Office of Internal Oversight Services repeatedly urged field offices to submit updated inventory databases throughout the year.

296. The MINDER software has been replaced with an interim solution (pending the full roll-out of the Integrated Systems Project), known as AssetTrak. AssetTrak is a simplified, user-friendly program that operates in the Microsoft Windows operating system environment. The software was introduced in May 2000, and the field's response has been very positive, confirming the ease of use and simplicity of the program. During the roll-out, all responsible parties were reminded of the requirement to conduct an annual physical check of the non-expendable property.

297. In an organization as large as UNHCR, operating in more than 180 countries worldwide, carrying out a comprehensive inventory with a single cut-off date represents a huge challenge. The Office will endeavour to confirm the accuracy of field offices' inventories during the fourth quarter and/or update them for use in consolidating the figures provided in the financial statements.

298. **In paragraph 13 (b), the Board recommended that UNHCR reconcile the unliquidated obligations reported at year's end by field offices to ensure that there is no overstatement of expenditures in the accounts.**

299. UNHCR would like to reassure Executive Committee members and the Board of Auditors that this matter was thoroughly reviewed throughout the year and during the year-end closure exercise. The guidelines for closing accounts for 2000 will be made more explicit and clearly define the responsibilities of programme managers both in the field and at Headquarters. During the year, this matter was discussed in the monthly coordination meetings between the Financial Resources Service and the senior resource managers within each operation. In an effort to reconcile unliquidated obligations during the year, instructions have been issued linking the requests for increases in obligations with the reconciliation of prior-year unliquidated obligations. During the year-end closure, a project-by-project review takes place to ensure that the unliquidated obligations reported are justified and properly documented prior to their being recorded in the accounts.

300. Of the $165.3 million that had remained unliquidated at year's end, as referred to by the Auditors in paragraph 23 of their report, an amount of $88 million was liquidated in the first half of 2000. Additionally, $27.5 million, or 16.6 per cent, concern unliquidated obligations under administrative projects for which the normal liquidation period for administrative expenditures is 12 months. The relevant supporting documentation on this issue was made available to the auditors. Lastly, there are a number of projects whose duration extends into 2000; therefore, it is considered legitimate to retain the unliquidated obligations.

301. The remaining balance has been systematically reviewed and obligations no longer required have been cancelled. It should be noted that field offices supervise project implementation on the basis of certain assumptions as to what can be achieved. There are often constraints in implementation that preclude offices and their implementing partners from completing activities. In many countries UNHCR operates under circumstances that can be described as uncertain at best. Field offices budget and establish obligation levels using their best judgement, but can liquidate their obligations only if circumstances so permit. If, for example, financial reports from implementing partners requesting final instalments do not arrive before the end of the year, UNHCR cannot simply cancel the remaining budget balance. If implementation has proceeded according to schedule, late instalments will be required and obligations must be retained.

302. As explained above, unliquidated obligations that are no longer required are cancelled during the following year and are reported in the financial statements as such. However, the fact that unliquidated obligations may be cancelled should not be interpreted as an overstatement of expenditures in the accounts for the previous year.

303. **In paragraph 13 (c), the Board recommended that UNHCR urge implementing partners with long-outstanding advances to submit their final sub-project monitoring reports and facilitate the clearance of projects.**

304. In 1999 and continuing in 2000, the Office has made very good progress in its efforts to obtain final sub-project monitoring reports from all of its partners. In the course of 1999, the outstanding balance of instalments to implementing partners for the years 1994 to 1997 was reduced by 49 per cent, from $63.4 million to $32.2 million. In the first six months of 2000, this figure was reduced by a further $10.6 million. The management controls elaborated on in the response to recommendation 13 (g) of the Board of Auditors are proving effective in controlling the ageing of instalments provided to partners.

305. **In paragraph 13 (d), the Board recommended that UNHCR continue to make efforts to encourage implementing partners to submit the required audit certificates.**

306. In the follow-up on action taken to implement the recommendations contained in the Board of Auditors report for 1998 (A/AC.96/933, annex, paras. 6 and 7), UNHCR indicated that, with the introduction of the new policy and conceptual approach adopted in 2000, the compliance rates for the submission of audit certificates by implementing partners were expected to improve. The essential elements of the new policy and approach are set out below.

Government partners

307. The current deadline of three months after the liquidation date has proven to be too short. In many countries, the Government's audited financial statements are not available before the second half of the following year. In some countries, the audit of government accounts is not systematically done on a yearly basis. Indeed, many countries have a policy of auditing their institutions every two years and on a random basis, therefore UNHCR projects may not be included in the sample chosen by the audit institutions. As a first step, UNHCR offices in the field will be requested to identify, in the sub-agreement, the appropriate government audit authority prior to implementation of the sub-project. In addition, the deadline will be extended to six months after the final liquidation date and the audit certificate requirement will be limited to governmental partners whose projects have an aggregate value of $100,000 or more.

National non-governmental organizations

308. An audit certificate will be the result of a project audit whose scope is limited to the implementation of a UNHCR sub-project. To improve compliance with minimum requirements for the objectives, scope and report structure of such audits and the basis of the audit

opinion, guidelines have been developed. The guidelines contained in the UNHCR Manual have been revised to include guidance on the engagement of audit firms for the independent audit of UNHCR projects.

International non-governmental organizations

309. With the introduction of the requirement for international non-governmental organizations (NGOs) to submit consolidated audited financial statements for 1998, the compliance rate increased from 82.6 per cent for 1997 projects as at June 1999 to 88.8 per cent for 1998 projects as at June 2000. In many cases, international NGOs follow fiscal years different from the project year (for instance, April to March, June to July or October to September), whereas UNHCR projects normally follow the calendar year. Therefore, the timeliness of submissions remains a problem over which UNHCR has very little control.

310. UNHCR has introduced the requirement that a note or schedule be attached to the implementing partner's financial statements detailing by sub-project the UNHCR funds received and spent as well as any unspent balances or balances due to or from UNHCR. This note or schedule will have to be certified by the organization's independent auditor. In line with other categories of implementing partners, UNHCR has decided to limit the audit certificate requirement to international NGOs with sub-projects having an aggregate value of $100,000 or more in a given year.

311. UNHCR has also proposed that a different conceptual approach be taken with regard to the role the availability of audit certificates has in the process of auditing UNHCR financial statements. The Board of Auditors has agreed to de-link these two elements. Audit certificates are seen as an essential component of the UNHCR control systems, reassuring management that implementing partners' financial reports can be relied upon and the Board of Auditors that proper control is in place. If positive assurance is provided year by year, the final financial sub-project monitoring reports from implementing partners should be a sufficient basis for the external audit of UNHCR financial statements. This means that the team auditing the UNHCR accounts for 2000 would not rely only on the audit certificates for 2000 projects, but would also review the certificates received for the previous years. A review of compliance and quality of the certificates for the previous years should provide the team with assurances that proper controls are in place at UNHCR.

312. In addition to increasing the number and percentage of audit certificates submitted and improving their quality, UNHCR is committed to making better use of the information provided. Furthermore, in compliance with the auditors' recommendation, UNHCR undertakes a yearly collection campaign targeting major international and national NGOs implementing projects with an aggregate value of $1 million or more.

313. UNHCR is of the opinion that this overall policy change, which is being incorporated into the revised UNHCR Manual, adequately addresses this recommendation.

314. **In paragraph 13 (e), the Board recommended that UNHCR immediately address the rolling-out of the new asset management system for effective management and control of assets.**

315. The roll-out of the new asset management system, AssetTrak, took place on 5 May 2000. To date, out of 120 field offices, 61 responses have been received. A reminder was sent to those offices that had not replied, emphasizing the importance of the submission of the AssetTrak database. All field office managers have also been reminded of their responsibility in this regard.

316. **In paragraph 13 (f), the Board recommended that UNHCR require all field offices to provide adequate segregation of incompatible functions, such as accounting, procurement and cashiering, to ensure strong checks and balances of responsibility and to adhere strictly to the United Nations Financial Regulations and Rules.**

317. UNHCR agrees with the Auditors that this is one of the most important internal control mechanisms and, whenever possible, this principle is enforced. However, in many UNHCR offices, segregation of functions cannot be fully implemented because of their size. Complete implementation would result in the need to increase staffing and therefore costs. This would then be incompatible with the recommendation made in paragraph 44 of the report. Furthermore, segregation should be judged against materiality and financial risk exposure.

318. UNHCR is currently introducing new policy guidelines dealing with the delegation of authority in which UNHCR emphasizes the importance of segregating duties. A number of compensating control

measures are being suggested for implementation in field offices with low staffing levels.

319. Potential risks are being minimized by implementing stricter monitoring and control of field offices, both through headquarters inspection and evaluation missions and the UNHCR Internal Audit Section.

320. **In paragraph 13 (g), the Board recommended that UNHCR streamline project implementation by ensuring that instalments to implementing partners are released on time, and that sub-project monitoring reports are regularly submitted by the field offices to allow headquarters to assess the progress of the ongoing projects. The Board also suggests that field offices closely monitor the performance of implementing partners to provide them with adequate information to determine whether they should be considered in future UNHCR projects.**

321. UNHCR would like to reassure the Board that systems are in place to control the timely release of instalments to implementing partners. The procedures for release of instalment payments under operational projects to implementing partners are contained in an instruction dated 21 January 1999 (IOM/FOM/13/99). This instruction replaces section 6.5 of chapter 4 of the UNHCR Manual, dated December 1995, concerning implementing partner recording. The UNHCR functional entities involved in the processing of payments to implementing partners are the UNHCR representative or head of country office, the Programme Unit and the Finance Unit in the field and/or at headquarters.

322. After the first instalment is made, no further instalments should be paid in advance. An instalment payment may be made only when it is requested by the implementing partner and where the cash balance on hand from previous instalments is reduced to 30 per cent or less of the latest instalment paid. This margin is essentially to allow UNHCR to process the next instalment payment in a timely manner. Delays in the payment of instalments to an implementing partner normally do not occur unless the partner was delayed in requesting the payment. If an instalment payment is requested when the level of cash on hand is well below 30 per cent, the time for processing the next payment may be inadequate, thus resulting in a delay. Notwithstanding the fact that the cases witnessed by the Auditors are exceptional, field offices will once again be advised to make payments to implementing partners only when they are due.

323. Monitoring the performance of implementing partners is an integral part of the UNHCR programme management system. It is the responsibility of the UNHCR representative or head of country office to monitor implementation of projects entrusted to implementing partners and to ensure that their performance is in accordance with the sub-agreements signed with them. In addition, the regional bureaux at headquarters monitor the performance of implementing partners on the basis of the financial and narrative reports received from field offices, as well as by undertaking monitoring missions to the field. Feedback on the performance of implementing partners is provided to field offices, mainly by the regional bureaux. The Financial Resources Service at headquarters, in cooperation with the NGO Coordination Unit, provides technical support. Collaboration with an NGO is reviewed when it is determined that its performance is not satisfactory following a recommendation from the representative, an assessment made at the headquarters level or as a result of an internal audit mission. Failing corrective action by the implementing partner, the NGO Coordination Unit will, upon request from the Financial Resources Service and the regional bureau, advise the field office not to engage the concerned NGO as an implementing partner. It should, however, be noted that in many instances UNHCR does not have a choice, as the number of NGOs operating in certain areas is very limited.

324. UNHCR has conducted a series of training workshops for field staff on the preparation of project descriptions, sub-project descriptions and strategic planning, leading to the preparation of the country operations plan. To further complement this effort, UNHCR has over a period of two years carried out 57 financial management workshops covering 1,172 staff members, where the importance of implementing partner financial monitoring was emphasized. UNHCR will shortly issue a comprehensive chart describing the delegation of financial signing authority, which will reinforce the role of authorizing officers in monitoring the performance of implementing partners.

Previous recommendations not fully implemented

325. **In paragraph 8 (a), the Board recommended that UNHCR ensure timely signing of sub-agreements with implementing partners (1995, 1996 and 1998).**

326. UNHCR has previously informed the Board of the intensified efforts undertaken to ensure that field offices receive the required authorizations with sufficient advance notice to enable them to sign sub-agreements in a timely manner. There are, nevertheless, some instances where the sub-agreements are subject to lengthy negotiations and clearances, in particular when dealing with government partners. In those cases some delays may occur, but they cannot be curtailed, since this would adversely affect the population being assisted. The situation witnessed by the Auditors during 1995, 1996 and 1998 was exceptional and has since greatly improved. UNHCR is of the opinion that all measures to address this recommendation have been taken and that it has been implemented.

327. **In paragraph 8 (b), the Board recommended that UNHCR make the preparation of work plans an integral part of the project planning and monitoring process (1995, 1996 and 1998).**

328. UNHCR agrees that work plans are an important element of project planning and monitoring. The level of detail of a plan will depend on the volume and complexity of the project. In some instances a formal work plan may not be necessary. UNHCR is introducing new software that will allow the automated production of work plans and is currently analysing different products. It plans to procure the software in 2000, create a prototype and test its functionality with a view to incorporating the results into the integrated systems project. In the meantime, field offices will continue to use existing software tools (for instance, Microsoft Project and Excel) to prepare work plans when required.

H. Fund of the United Nations Environment Programme

329. The action taken or to be taken to implement the recommendations of the Board of Auditors as set out in the report on the accounts of the Fund of UNEP for the biennium ended 31 December 1999[10] are set out below.

330. **In paragraph 12 (a), the Board recommended that the Administration disclose the accounts receivable and accounts payable in gross rather than net terms, in accordance with the United Nations accounting standards.**

331. The correct figures in respect of statement II are: credit balances in receivables $382,154 and debit balances in payables $596,719. Given receivables of $11.0 million, UNEP believes the netting-off of receivables of $382,154 does not materially distort the financial statements, and therefore the recommendations should refer only to the lack of gross-up in respect of payables.

332. The responsibility for implementing this recommendation lies with the Chief, Financial Resources Management Service, United Nations Office at Nairobi.

333. **In paragraph 12 (b), the Board recommended that the Administration take action to ensure that project expenditures are maintained within approved commitments.**

334. Management agrees with the recommendation. However, it is important to point out that a mechanism for reviewing and monitoring project expenditures already exists through the monthly project account reports, which compare recorded expenditures against approved commitments. While the review and monitoring of expenditures is strictly carried out, a few cases of over-expenditure are occasionally allowed in order to expedite the implementation of specific activities for which funds have been allocated but have not yet been reflected in a revised project budget. This is authorized on a case-by-case basis, with the explicit understanding that the project revisions will be prepared shortly for approval. However, at times project revisions are delayed, taking into account the need for a consultative process within UNEP as well as with its implementing partners. Moreover, the number of project revisions are kept to a minimum in line with previous audit recommendations.

335. **In paragraph 12 (c), the Board recommended that UNEP review all inactive projects and take steps to obtain the required documents to make possible the timely closure of all completed projects. In this regard, UNEP should determine the causes of the factors preventing the timely closure of the projects.**

336. Management agrees with the recommendation and has already gone further to review and identify the factors that prevent the timely closure of completed projects. In order to expedite the receipt of outstanding reports, which are a prerequisite to the closing of projects, the following are among the measures that have been put in place to ensure closure of all completed projects:

(a) Periodic six-monthly overviews of outstanding reports on active projects to facilitate immediate corrective action, which will be followed up by the Project Approval Group;

(b) Division directors will ensure that all current umbrella projects are evaluated by the responsible managers within six months after their end date in order to close them, and will also ensure that justification is provided in cases where outputs have not been completed;

(c) Programme managers are required to submit at the end of each year self-evaluations for all ongoing projects as well as projects completed during that year and those completed the previous year for which self-evaluation fact sheets have not been submitted.

337. In addition, a review is carried out of all organizations implementing UNEP projects with a view to identifying those which fail to submit the required reports. In such cases cash advances for ongoing projects are withheld until the reports are submitted, or alternatively, the organization may be barred from implementing new projects. The above measures are being followed rigorously, and UNEP anticipates positive results. For example, as at the end of May 2000, the pre-1995 inactive projects had been reduced from 84 to 57 and those for the biennium 1996-1997 had been reduced from 81 to 67.

338. The responsibility for implementing this recommendation lies with the Chief, Budget and Funds Management Service, United Nations Office at Nairobi.

339. **In paragraph 12 (d), the Board recommended that UNEP provide the United Nations Office at Nairobi with the information needed to maintain a central roster of consultants that should be used as the basis for their selection.**

340. Although management agrees with this recommendation, the United Nations Office at Nairobi has informed UNEP that it is unable to establish and maintain a roster of consultants because of a lack of resources. If and when additional resources are allocated to the Human Resources Management Service, it will be in a position to comply with the recommendation. UNEP management should work with the Service to establish and maintain a roster of consultants. In the meanwhile, all divisions will maintain sub-rosters of consultants, which will be used by the UNEP Evaluation and Oversight Unit to set up a UNEP roster that will eventually serve as the basis for the central roster to be maintained by the United Nations Office at Nairobi.

341. The responsibility for implementing this recommendation lies with the Chief, Evaluation and Oversight Unit, UNEP, and the Officer-in-Charge, Human Resources Management Service, United Nations Office at Nairobi.

342. **In paragraph 12 (e), the Board recommended that UNEP ensure that the terms of reference of consultants include performance indicators by which results can be assessed or evaluated.**

343. Management agrees with the recommendation and has prepared comprehensive guidelines for the implementation of the new administrative instructions on consultants and individual contractors for UNEP, the United Nations Centre for Human Settlements (Habitat) and the United Nations Office at Nairobi. These guidelines provide clarifications on the procedures for hiring consultants and individual contractors in line with administrative instruction ST/AI/1999/7. These guidelines, which will be implemented in the very near future, include the following:

(a) Terms of reference;

(b) Duration of contract;

(c) Selection process and criteria;

(d) Verification of credentials, qualifications and experience;

(e) Remuneration;

(f) Performance indicators;

(g) Performance evaluation.

344. The responsibility for implementing this recommendation lies with the Chief, Evaluation and Oversight Unit, UNEP, and the Human Resources

Management Service, United Nations Office at Nairobi.

I. United Nations Population Fund

345. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of UNFPA for the biennium ended 31 December 1999[11] are set out below.

346. **In paragraph 11 (a), the Board recommended that UNFPA set expenditure ceilings within the expected level of income and apply them rigorously in the allocation of authority to incur expenditure.**

347. For 2000, the Executive Director instructed programme managers that the allocation levels had to be reduced to a level equal to or below the year's expenditure ceilings by November 2000. The two Deputy Executive Directors are strictly enforcing financial and budgetary discipline. Actual income is also closely monitored to verify the validity of the projected income level for the year. The assessment of financial management of programme managers will be a regular feature of the staff performance appraisal system.

348. The UNFPA representatives and the directors of the concerned divisions at headquarters are responsible for ensuring that final expenditures do not exceed ceilings.

349. **In paragraph 11 (b), the Board recommended that, until its operational reserve is restored to at least $50 million, UNFPA operate during the biennium on a fully funded basis, limiting expenditure allocations to the level of actual income received.**

350. UNFPA is committed to strict financial and budgetary control and will ensure that at the end of the biennium the level of the operational reserve will be at least $50 million.

351. The two Deputy Executive Directors are responsible for overall financial and budgetary discipline.

352. **In paragraph 11 (c), the Board recommended that UNFPA require field offices to prepare annual audit plans, identifying which projects will be subject to external audit, and to coordinate them at UNFPA headquarters to ensure that the organization has a sufficient level of coverage.**

353. In line with UNDP practice, the requirement for an annual project audit was changed to require an audit at least once in the lifetime of the project. From now on, each country office and, in the case of intercountry projects, concerned divisions at headquarters will prepare annual audit plans. Both country offices and concerned divisions at headquarters are responsible for the preparation and implementation of the audit plans.

354. The Chief, Internal Audit Section, will monitor compliance with project audit requirements.

355. **In paragraph 11 (d), the Board recommended that UNFPA closely monitor trust fund income and expenditure to ensure that it does not obligate expenditure without having sufficient funds available.**

356. The Division for Finance, Administration and Management Information Systems has reviewed the two cases referred to in the report of the Board of Auditors and would like to provide clarification. In one case, the negative balance was recorded because of miscoding. In the second case, the actual negative balance amounted to $7,618. Corrective action is being taken in both cases, and UNFPA will further strengthen internal controls of trust funds. The Finance Branch and Resources Development Branch will review all new trust fund agreements to ensure that disbursement schedules are in line with income flows and that the appropriate reference is included in the agreement to protect UNFPA regular resources. The allocation and disbursement of funds will be subject to the outcome of such a review. Corresponding administrative instructions will be issued in the second half of 2000. The Division for Finance, Administration and Management Information Systems will further emphasize to all concerned parties the importance of ascertaining that there are sufficient funds before obligating any expenditure. All concerned staff will be held accountable.

357. **In paragraph 11 (e), the Board recommended that UNFPA make the use of its criteria for assessing technical and managerial capacity mandatory in selecting executing agencies and that UNFPA require that project documents contain clear assessments of executing agencies' capacities and specifically address any identified weaknesses.**

358. The criteria for assessing potential executing agencies are now part of the UNFPA Programme Manual. These pertain to the potential executing agency's technical capacity, managerial capacity and comparative advantage. An assessment of potential executing agencies is conducted during the development of UNFPA-supported country programmes. Results of the assessment are part of the basis for defining the implementing and execution modalities for the country programme. An analysis of the adequacy and appropriateness of the execution modalities selected is an integral component of the annual country reviews and the mid-term review of country programmes. With regard to regional and interregional activities, a preliminary assessment is made during the preparation of the intercountry programme.

359. The UNFPA representatives and the directors of the geographic divisions and the Technical and Policy Division are responsible for ensuring that the project documentation includes a clear assessment of the capacity of executing agencies and that any weaknesses are appropriately addressed.

360. **In paragraph 11 (f), the Board recommended that UNFPA strengthen the management and monitoring of its projects at the design phase by incorporating baseline information and qualitative and quantitative performance indicators.**

361. UNFPA is strongly committed to the use of performance indicators and baseline information. In this context, the Executive Board, in April 2000, approved the Fund's multi-year funding framework, which builds on clearly defined organizational results and a set of indicators to track progress towards achieving them. At the project level, programming and monitoring tools will be developed to aid country office staff in programme management and monitoring. The first of these will be disseminated in late 2000. The dissemination of such tools will continue as part of a dynamic process to improve the quality and delivery of programmes. The results-based approach requires a rigorous application of the log-frame approach in planning, monitoring and reporting of purposes and results, using indicators identified in the log-frame matrix.

362. The Deputy Executive Director (Programmes), and the Chief, Office of Results-Based Management, will closely monitor the global implementation of the results-based approach, including the use of baseline information and performance indicators.

363. **In paragraph 11 (g), the Board recommended that UNFPA require headquarters units and country offices to provide the headquarters Procurement Unit with detailed annual procurement plans.**

364. UNFPA agrees with this recommendation and a circular will be issued in September 2000 by the Deputy Executive Director (Policy and Administration) to request that such plans be prepared for 2001.

365. The Director, Division for Finance, Administration and Management Information Systems, and the Chief Procurement Officer will monitor compliance.

366. **In paragraph 11 (h), the Board recommended that UNFPA require divisional directors and chiefs of offices to confirm that substantial procurement is routed through the Procurement Unit before certifying procurement requests.**

367. UNFPA accepts this recommendation. The Division for Finance, Administration and Management Information Systems will issue corresponding administrative instructions in the last quarter of 2000. With the implementation of this recommendation, chiefs of organizational units are personally accountable for channelling all procurement requests through the Procurement Unit. Non-compliance will be part of the individual officer's performance assessment and, if necessary, action to enforce accountability will be taken.

368. **In paragraph 11 (i), the Board recommended that UNFPA develop a process for formally recording and monitoring suppliers' performance.**

369. UNFPA agrees with the recommendation. The reason that such a system has not as yet been put in place is that the Inter-Agency Procurement Working Group is in the process of developing a common system for use by all United Nations organizations. In the light of the Board of Auditors' comments, however, the Procurement Unit has developed and is maintaining an interim monitoring system. The common system is expected to be operational in 2001.

370. **In paragraph 11 (j), the Board reiterated its recommendation that UNFPA remind all country offices of the need to submit receipt and inspection**

reports within three weeks of delivery for all goods procured by headquarters.

371. Country offices were last reminded of this requirement on 22 November 1999. The Chief Procurement Officer will closely monitor compliance and take any follow-up action required.

372. **In paragraph 11 (k), the Board recommended that UNFPA make every effort to recover the overpayment of up to $1.8 million from the contractors once its final value has been verified.**

373. The actual amount of the overpayment is still to be verified. UNFPA will, upon the advice of its legal adviser, make every effort to recover funds from concerned parties when the amount is established while it continues to pursue due process in disciplinary proceedings against involved staff. The Chief, Administrative Branch, is currently conducting an on-site review. He is expected to submit a report by the end of September 2000.

374. **In paragraph 15, the Board recommended that UNFPA disclose in the financial statements the value and basis of valuation for end-of-service benefits and post-retirement benefits.**

375. The Chief, Finance Branch, is examining the implications for data collection and computerization. UNFPA will disclose the information in a note to the financial statements for the biennium 2000-2001.

376. **In paragraph 17, the Board recommended that UNFPA ensure that it discloses the value of all non-expendable equipment in the notes to the financial statements.**

377. The primary responsibility for keeping records of the value of non-expendable equipment lies with the executing agencies. UNFPA country offices and the concerned divisions at headquarters are required to obtain the data from the executing agencies and to submit complete and accurate data to the Division for Finance, Administration and Management Information Systems. The Chief, Finance Branch, monitors the overall compliance of all parties.

378. The accuracy and completeness of the information, however, are ascertained by the country offices in their review of the information submitted by governments and NGOs. To ensure follow-up action, the Division will be cooperating with the geographic divisions and the country offices to ensure data accuracy and completeness. A year-end circular will be issued to country offices and the geographic divisions reiterating the reporting requirements.

379. UNFPA had planned to disclose the information in a note to the financial statements for the biennium 1998-1999 but the data collection and verification process proved to be more complex than expected. As such the Chief, Finance Branch, plans to disclose the information for the biennium 2000-2001. To optimize the accuracy of recording, the Chief, Finance Branch, will review the policy regarding timing of the transfer of project equipment to the executing agencies.

380. **In paragraph 33, the Board recommended that, as the advance reserve for field accommodation has remained outstanding for six years, UNFPA take action to bring the matter to a conclusion.**

381. UNFPA is still awaiting information from UNDP on the correct share of UNFPA in the construction costs related to common premises. In February 1999, UNFPA, along with UNICEF and the World Food Programme (WFP), wrote a joint letter to UNDP, based on input from WFP legal counsel, stating that the three agencies were not under any legal obligation to contribute to the financing of the cost overrun of the projects. UNFPA will again write formally to UNDP stating that it would like to receive information on its legitimate share of the costs to enable the Fund to close the accounts, which continue to show $1 million paid to UNDP as an advance. The Fund will explicitly state in its letter to UNDP that if it does not receive the requested information by 30 November 2000, it will request from UNDP a refund of $1 million paid in 1994.

382. **In paragraph 55, the Board recommended that UNFPA establish a management information system for controlling advances to projects.**

383. Strict requirements regarding the conditions for paying and controlling advances are set forth in the UNFPA Finance Manual. UNFPA representatives and programme managers at headquarters are responsible for ensuring that these procedures are implemented. The Director, Division for Finance, Administration and Management Information Systems, will monitor compliance with the procedures.

384. Periodically, the Finance Branch will provide the Executive Committee with a list of offices that are

deficient in complying with UNFPA financial regulations, rules and procedures in regard to the timely receipt of disbursement reports and the over-advancing of funds. Appropriate action will be taken based on the Executive Director's memo, dated 29 January 1999, on personal accountability. The Division for Finance, Administration and Management Information Systems has already introduced, in the Integrated Field Office System, a warning message when the advance exceeds the quarterly limit for a project based on the current allocation.

385. **In paragraph 57, the Board recommended that UNFPA not make advances before all parties have signed the project documents.**

386. UNFPA agrees with this recommendation. UNFPA representatives and the directors of the concerned divisions at headquarters are responsible for ensuring that no disbursements or financial commitments are made before all parties have signed the project documents. UNFPA will strictly enforce accountability rule 103.2, which states that all officials of UNFPA are responsible for the regularity of action taken by them in the course of their official duties. Any staff member who takes any action in violation of the Fund's procedures will be held personally responsible.

387. **In paragraph 59, the Board recommended that in all cases UNFPA ensure that agencies submit final project reports or suitable alternatives.**

388. UNFPA programme guidelines require that executing agencies submit a final project report. UNFPA is committed to strictly enforcing this requirement. UNFPA representatives and the directors of concerned divisions at headquarters will be requested to withhold new allocations of cash disbursements for other ongoing projects executed by the same agencies pending the receipt of outstanding final project reports.

389. **In paragraph 81, the Board recommended that UNFPA remind country offices of the need to include construction contracts in the procurement statistics that they submit to headquarters.**

390. UNFPA concurs with this recommendation and has implemented it. The 1999 procurement statistics include construction contracts.

391. UNFPA would like to point out that in the case cited in paragraph 87, the Deputy Executive Director (Policy and Administration) approved, on an exceptional basis, the UNFPA representative's request to the Executive Director for a waiver of the 30 per cent/$3 million cap.

Follow-up action taken to implement outstanding recommendations made in the report of the Board of Auditors for the biennium ended 31 December 1997[12]

392. **The Board recommended that UNFPA show the value of contributions in kind in a note to the financial statements.**

393. The Chief, Finance Branch, is examining the requirements for collecting information on contributions in kind, assigning a value to such contributions and reporting on this information.

394. UNFPA had intended to disclose the information in a note to the financial statements for the biennium 1998-1999, but the data collection proved to be more complex than expected. As such, the Chief, Finance Branch, plans to disclose the information for the biennium 2000-2001.

J. United Nations Habitat and Human Settlements Foundation

395. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of the United Nations Habitat and Human Settlements Foundation for the biennium ended 31 December 1999[13] are set out below.

396. **In paragraph 11 (a), the Board recommended that the Administration disclose accounts receivable and accounts payable in gross rather than net terms in accordance with the United Nations accounting standards.**

397. The United Nations Office at Nairobi fully accepts that accounts receivable and accounts payable will be reported in gross rather than net terms and will ensure that this will be complied with in all future accounting statements.

398. The responsibility for implementing this recommendation lies with the Chief, Financial Resources Management Service, United Nations Office at Nairobi.

399. With regard to paragraph 13 of the Board's report, the United Nations Office at Nairobi has

requested the United Nations Centre for Human Settlements (Habitat) to make the following comment: "It should be noted that for receivables the negative balances of $294,264 relate to all sources of funds, including regular budget and technical cooperation funds, for Habitat and that the negative balances relating to the Foundation and relevant to statement II to be added to the disclosed balance of $735,660 total $75,340. For payables, the negative balances of $248,501 also include all sources of funds for Habitat, and the negative balances for the Foundation and relevant to statement II to be added to the disclosed balance of $689,663 total $58,927."

400. **In paragraph 11 (b), the Board recommended that the Administration apply strict expenditure control over each trust fund and project to ensure that expenditures do not exceed the authorized limits of allotment in accordance with existing rules.**

401. Habitat, in close collaboration with the United Nations Office at Nairobi, is improving its project monitoring system, which will provide to programme managers and project management officers online and up-to-date information on income, budgets and expenditures for each trust fund and project. At the same time, monthly summary reporting formats have been designed to enable senior managers to monitor the financial situation of trust funds and projects more easily. The project monitoring system and related reporting formats are already operational and further enhancements are at hand.

402. The implementation of this recommendation is the joint responsibility of the Director, Programme Support Division, Habitat, and the Chief, Financial Resources Management Service, United Nations Office at Nairobi.

403. **In paragraph 11 (c), the Board recommended that the Administration comply fully with the comprehensive guidelines for use of consultants, as accepted by the General Assembly.**

404. Habitat continues to be committed to ensuring that the selection of consultants is done on a competitive basis and in accordance with established United Nations guidelines. At the initiative of the Human Resources Management Service all programme managers have been provided with administrative instruction ST/AI/1999/7 on the use of consultants and individual contractors and have been reminded that they should be strictly enforced.

405. This recommendation is implemented with immediate effect and is the joint responsibility of the Director, Programme Support Division, Habitat, and the Chief, Human Resources Management Service, United Nations Office at Nairobi.

406. **In paragraph 11 (d), the Board recommended that the roster of consultants be updated to facilitate their inclusion in the computerized central roster being developed by the United Nations Office at Nairobi.**

407. Habitat is currently in the process of updating its roster of consultants in order to make it more usable and comprehensive. Discussions are under way with the United Nations Office at Nairobi to make the Habitat roster compatible with the roster used by the Office. Financial and staffing constraints, in both the Office and Habitat, will make it difficult to implement the second part of the recommendation with immediate effect, particularly with regard to maintenance of the roster, but every effort is being made to implement this recommendation as soon as the required additional resources have been identified.

408. The responsibility for implementing this recommendation lies with the Director, Programme Support Division, Habitat, and the Chief, Human Resources Management Service, United Nations Office at Nairobi.

K. Fund of the United Nations International Drug Control Programme

409. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of the Fund of UNDCP for the biennium ended 31 December 1999[14] are set out below.

410. **In paragraph 11 (a), the Board recommended that, in compliance with the United Nations accounting standards, UNDCP disclose in the notes to the financial statements the value and method of valuation of liability for end-of-service benefits, post-retirement benefits and annual leave.**

411. UNDCP will coordinate with the Human Resources Management Section and the Finance and Budget Section of the United Nations Office at Vienna in obtaining information on the entitlements of UNDCP staff members and in computing the monetary

value of such entitlements. It is expected that such contingent liabilities will be quantified and included in the notes to the financial statements for the biennium 2000-2001.

412. The responsibility for implementing this recommendation lies with the Chief, Programme Support Service, UNDCP.

413. **In paragraph 11 (b), the Board recommended that UNDCP strengthen its efforts to encourage UNDP to secure the necessary audit reports for nationally executed projects and, where appropriate, extend the arrangements whereby nationally executed projects are audited by local accountancy firms. Furthermore, in paragraph 11 (c), the Board recommended that UNDCP follow up, in liaison with UNDP, all audit reports outstanding in respect of the bienniums 1996-1997 and 1998-1999.**

414. UNDCP did not follow up on audit reports on nationally executed expenditures in 1996-1997 because it concentrated its efforts on trying to obtain from UNDP certificates for 1998-1999. As the Board itself notes, very limited success was achieved by UNDP for 1998-1999. Moreover, UNDCP considered it prudent to concentrate its limited resources on obtaining audit certificates through commercial firms for 1998-1999 only. UNDCP requests that the Board reconsider its position as to whether it requires certificates prior to 1998-1999 because logically that would mean going back to the inception of the programme in 1991. UNDCP therefore submits that 1998-1999 be used as a cut-off point on this issue. As indicated in the audit report, UNDCP has been following up closely with UNDP and has also engaged local accountancy firms to ensure that outstanding audit certificates are submitted. As at 30 June 2000, UNDCP had obtained audit clearance for $4.1 million in such expenditures in 1998-1999 with audits under way to cover a further $11.6 million. Thus it is expected that nearly 86 per cent of the $18.3 million in expenditures for nationally executed projects in 1998-1999 will be covered by audit reports obtained in the course of 2000. This will mark a significant improvement in following up this recommendation, with the problem being mainly one of timing.

415. The responsibility for the continuing implementation of the above recommendations lies with the Chief, Programme Support Service.

416. **In paragraph 11 (d), the Board recommended that UNDCP ensure that bank reconciliations are regularly and promptly undertaken both at headquarters and in field offices and that long-outstanding items are investigated.**

417. Monthly bank reconciliation statements are prepared as soon as bank statements are received by UNDCP. The deposit of $63,000 that had appeared as a reconciling item for 15 months was the subject of a long exchange of communications among several offices. At the time the amount was deposited, there was not enough information available to establish that the contribution was indeed for UNDCP. The lengthy process of verifying the source and the purpose of the contribution caused it to remain an outstanding item for an unusually long time. As noted in paragraph 25 of the Board's report, UNDCP has already taken action to correct the omission of $762,000, and in future it will capture such local field transactions in the general ledger. It should be stressed that both those amounts were exceptional sums, and that they have been fully accounted for.

418. The responsibility for bank reconciliation lies with the Chief, Programme Support Service.

419. **In paragraph 11 (e), the Board recommended that UNDCP assist those Governments that are without national drug master plans or their equivalent to produce plans as soon as possible identifying and prioritizing specific drug-related problems and establishing a course of action at the government level to address them.**

420. The audit report stated that while 11 of the 20 countries where UNDCP has an office had prepared national drug master plans, six other countries where UNDCP has established offices long enough to have assisted the respective Governments in preparing such plans have not done so. It should be mentioned that most of the six countries have national drug control master plans, which were prepared with UNDCP assistance and involvement. Mexico has a national drug control plan (1994-2000) of very high quality. Mexico is also signatory to a subregional memorandum of understanding on drug control cooperation (1996, updated in 1999) linking Mexico and seven Central American republics. Barbados and other Caribbean countries have an internationally recognized document fully equivalent to a national drug plan, namely, the 1996 Barbados Plan of Action covering national

policies and priorities in all drug control fields. The Barbados Plan of Action is the political and planning tool used by UNDCP and other bilateral donors for the funding of projects. Likewise, Nigeria and Senegal have national drug control master plans, while Thailand has a national narcotics control plan (1997-2001).

421. UNDCP continues to assist Governments in this area, and the responsibility for the continued implementation of the recommendation belongs to the Chief, Operations Branch.

422. **In paragraph 11 (f), the Board recommended that UNDCP develop central guidance on planning that sets out clear standards and promotes greater consistency and comparability between planning documents.**

423. While UNDCP agrees with the Board that a common planning format would promote greater consistency and comparability, flexibility in the design of plans specific to regional needs should not be overlooked. As an example, the UNDCP Caribbean Coordination Mechanism, a multi-donor project specifically designed to monitor the implementation of the Barbados Plan of Action, produces regular in-depth analysis of drug control problems, as well as of technical capacities and needs.

424. UNDCP will continue to strive towards better standardization of planning documents with due consideration of specific regional/country needs.

425. The responsibility for implementing this recommendation lies with the Director, Division for Operations and Analysis.

426. **In paragraph 11 (g), the Board recommended that UNDCP ensure that all future annual reports provide an analysis of actual results and outputs compared with the objectives set out in the relevant country or regional plans.**

427. UNDCP concurs with this recommendation. The reorganization of the Programme's technical cooperation work into four thematic areas will facilitate improved programme planning, management and performance monitoring and evaluation. Relating actual results and outputs to funds and inputs will be facilitated by the implementation of the new integrated project and financial system (Profi).

428. The responsibility for implementing this lies with the Director, Division for Operations and Analysis.

429. **In paragraph 11 (h), the Board recommended that UNDCP coordinate its procurement activities with the aim of concentrating procurement into fewer agencies, thereby benefiting from economies of scale.**

430. The Board's recommendation is welcomed. However, it should be noted that the procurement statistics shown in the table in paragraph 50 of the Board's report do not fully reflect the fact that the United Nations Office for Project Services has procured a substantial portion of goods and services for UNDCP projects, being the second largest executing agency for UNDCP, but has not so far provided procurement statistics that UNDCP requests from it annually. Furthermore, UNDCP must recognize the operational reality of having to work through different executing agencies that are sometimes best placed to carry out procurement themselves. Other cost-benefit factors such as programme support costs must also be considered in conjunction with economies of scale when selecting procurement agencies. Nevertheless, UNDCP recognizes the merit in the Board's recommendation and will implement it as far as is practicable.

431. The responsibility for implementing this recommendation lies with the Chief, Operations Branch.

432. **In paragraph 11 (i), the Board recommended that UNDCP require departments to prepare procurement plans for submission to the relevant procurement units.**

433. UNDCP concurs with this recommendation.

434. The responsibility for implementing this recommendation lies with the relevant programme managers in the Operations Branch and the Public Policy and Analysis Branch.

435. **In paragraph 11 (j), the Board recommended that UNDCP issue clear guidelines to field offices on the procurement procedures to be followed and the delegated limits that apply.**

436. UNDCP concurs with this recommendation. Field offices have already been clearly instructed to comply with relevant UNDP rules and regulations. Copies of UNDCP financial rules and relevant United Nations

financial and procurement rules and manuals have been sent to each field office.

437. The responsibility for implementing this recommendation lies with the Chief, Programme Support Service.

438. **In paragraph 11 (k), the Board recommended that UNDCP work with the United Nations Office at Vienna to draw up an agreement with it specifying the level and quality of all services provided, including procurement.**

439. UNDCP concurs with this recommendation, which will be implemented after the approval of a service-level agreement by the Executive Director/Director General and the sanctioning of an appropriate amount in the budget for the biennium 2002-2003.

440. The responsibility for implementing this recommendation lies with the Chief, Programme Support Service and the Chief of Finance and Budget, United Nations Office at Vienna.

441. **In paragraph 29, the Board recommended that UNDCP take follow-up action to clear long-outstanding advances totalling $345,713.**

442. UNDCP has been continuously following up with the concerned recipient agencies on the submission of the required certified expenditure reports, which would allow the Programme to clear the advances. The three cases mentioned in the Board's report are exceptions, of which one ($175,000) is subject to complicated legal implications that have been unresolved since 1993. UNDCP will closely follow up on clearing these advances within existing legal and operational constraints.

443. The responsibility for following up on this recommendation lies with the Chief, Operations Branch, and the Chief, Programme Support Service.

444. **In paragraph 31, the Board recommended that the new UNDCP accounting system capture field office expenditures on a more timely basis in order to improve overall monitoring of project expenditures.**

445. The new integrated financial and project management system, which is expected to be fully operational in early 2001, will use data from IMIS as well as from executing agencies and UNDCP field offices via a Web interface. This will ensure that the integrated general ledger will contain timely, complete, relevant and transparent information.

446. The responsibility for the implementation of the recommendation lies with the Director, Division for Operations and Analysis, and the Chief, Programme Support Service.

447. **In paragraph 33, the Board recommended that UNDCP ensure that all obsolete or untraceable items are presented promptly to the local Property Survey Board for write-off action.**

448. UNDCP concurs with this recommendation.

449. The responsibility for implementing this recommendation lies with the Chief, Programme Support Service.

L. United Nations Office for Project Services

450. The action taken or to be taken to implement the recommendations of the Board of Auditors in the report on the accounts of the United Nations Office for Project Services for the biennium ended 31 December 1999[15] are set out below.

451. **In paragraph 10 (a), the Board recommended that the United Nations Office for Project Services prepare a full inventory of its non-expendable equipment, both at headquarters and at its regional offices, with a view to providing a historic cost for its non-expendable equipment in the financial statements for the biennium 2000-2001.**

452. The United Nations Office for Project Services is in the process of preparing a full inventory of its non-expendable equipment across all its offices so as to comply with the United Nations accounting standards. This inventory will continue to be updated to meet appropriate management and reporting requirements. The target date for the completion of the inventory is 30 August 2001.

453. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Finance, Budget and Administration (FBA).

454. **In paragraph 10 (b), the Board recommended that the Office conduct regular reviews, led by the Finance Section, of all unliquidated obligations and**

cancel those which cannot be substantiated or justified by budget holders.

455. Financial monitoring is conducted regularly and on a continuing basis by the staff concerned. Monthly expenditure reports are provided by the Finance and Budget Section to portfolio managers to facilitate the monthly review exercise. Adjustments, including amendments to unliquidated obligations, are made as appropriate. By its nature, this recommendation is being implemented on a continuing basis rather than being subject to specific start and end dates.

456. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Finance, Budget and Administration.

457. **In paragraph 10 (c), the Board recommended that the Office establish the relationship between the priorities, objectives, activities and tasks included in the business plan and apply this consistently from year to year, providing a full explanation of any changes it makes.**

458. In keeping with the changing focus of the organization and new developments in its operating environment, the organizational priorities of the Office are subject to revision. Any changes will be fully explained in the business plan. The future standardization of unit business plans will ensure that consistency in the relationship between priorities, objectives, activities and tasks is applied throughout the organization.

459. The standard unit business plan templates introduced in 2000 will be reviewed and simplified for implementation in 2001. The relationship among organizational priorities, objectives, activities and tasks is an ongoing activity and will be reviewed as part of the 2001-2002 business planning process.

460. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Business Development and Strategic Planning.

461. **In paragraph 10 (d), the Board recommended that the Office seek to ensure that all project documents contain measurable objectives.**

462. As a general remark, the Office would like to note that the Board's recommendations contained in paragraphs 54 to 57 and 62 are all directed at the project formulation and design stages, which are primarily responsibilities of the funding agencies and not the Office. However, the Office intends to institute the measures described hereunder.

463. The Office intends to continue its review of the Project Acceptance Committee process in order that projects meet the required quality standards for execution, which include ensuring, to the extent possible, that project documents contain measurable objectives.

464. By the end of 2000, the Director of Operations will issue a directive to all operations divisions to proactively request the funding agencies that use the services of the Office to include measurable objections within their project documents.

465. The responsibility for implementing this recommendation rests with the Deputy Executive Director of Operations.

466. **In paragraph 10 (e), the Board recommended that the Office seek to ensure that all project documents contain information on the overall project budget broken down by objective and sub-objective, as appropriate.**

467. The Project Acceptance Committee continues to analyse the reasonableness of proposed budgets in relation to project objectives and sub-objectives. Additionally, through periodic budget revisions, portfolio managers consistently seek to ensure that project budgets accurately reflect project expenditures and projections broken down by objective and sub-objective.

468. In line with the Board's recommendations, the Office will, on an ongoing basis, review the feasibility of more proactively assisting clients to improve their project documents.

469. The responsibility for implementing this recommendation rests with the Deputy Executive Director of Operations.

470. **In paragraph 33, the Board recommended that the Office review on a monthly basis the returns from imprest account holders and take immediate action to hasten any missing returns. The Board also recommended that the Office ensure that it promptly reconciles all the returns from imprest account holders to ensure that it effectively monitors expenditures disbursed in the field.**

471. The staff concerned were requested to exercise due diligence in carrying out timely examination and reconciliation of the accounts and follow up late submissions. Follow-up action was taken with respect to the imprest holders to ensure that expenditures disbursed in the field were effectively monitored. By its nature, this recommendation is being implemented on a continuing basis rather than being subject to specific start and end dates.

472. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Finance, Budget and Administration.

473. **In paragraph 40, the Board recommended that the Office provide an explanation for any targets that it discontinues or amends in order to provide continuity to the business planning process.**

474. Any amendments to or discontinuation of financial or non-financial targets will be clearly reported and explained in business plans.

475. All financial and non-financial targets will be reviewed, and any changes will be introduced in the first quarter of 2001 and reported in the business plan for the biennium 2001-2002.

476. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Business Development and Strategic Planning.

477. **In paragraph 45, the Board recommended that, where appropriate, the Office disclose performance information in its business plan.**

478. The Office undertakes a bottom-up planning process that is synchronized with the budget preparation process. There is a close relationship between short-term objectives and overarching organizational priorities. The former will be reviewed more frequently than the latter in order to ensure that there is progress towards meeting organizational priorities. The Office established its first monitoring mechanism in 1999, which included detailed performance measurements at the unit level and timetables for achieving organizational priorities. The Office will renew its focus on capturing performance results and will report high-level results in its business plan.

479. The criteria for performance indicators will be introduced in standardized unit business plans in the first quarter of 2001. Performance indicators for high-level performance results will be reviewed in 2001.

480. The responsibility for implementing this recommendation rests with the Assistant Director, Division for Business Development and Strategic Planning.

481. **In paragraph 56, the Board recommended that, before signing project documents or management services agreements, the Office ensure that the donor includes details of the project's proposed monitoring regime.**

482. The Office regularly advises clients to define the details of the monitoring regime to be applied to an individual project prior to signing the respective project document. As the Board has noted, this is the usual case, and such details are normally contained in the reporting section of the project document, which should also indicate any deviation from the standard set of reports and review meetings. The level of detail and accuracy provided in this reporting section is a key instrument for the client to use in measuring the achievement of project objectives.

483. By the end of 2000, the Director of Operations will issue a directive to all operations divisions to request the funding agencies using the services of the Office to ensure that they include details of the project's proposed monitoring regime. Additional effort will be made by the Office during the Project Acceptance Committee process to ensure adherence to this directive.

484. The responsibility for implementing this recommendation rests with the Deputy Executive Director of Operations.

485. **In paragraph 57, the Board recommended that the Office endeavour to ensure that each project document and management services agreement outlines the risks to the project's delivery.**

486. The Office concurs that the risks related to effective delivery of a project should be carefully considered by the funding agency during project formulation. In addition, it will continue to assess implementation related to policy, legal issues, finance and so on during the Project Acceptance Committee process.

487. By the end of 2000, the Director of Operations will issue a specific directive to all operations divisions

to request the funding agencies using the services of the Office to ensure that they include details of the project's risks.

488. The responsibility for implementing this recommendation rests with the Deputy Executive Director of Operations.

489. **In paragraph 62, the Board recommended that the Office endeavour to strengthen the range of performance indicators included in project documents to allow progress against objectives and sub-objectives to be quantified and reviewed as fully as possible.**

490. Substantive review of the progress of project implementation is currently conducted through regular reporting, monitoring missions and the project performance evaluation report and tripartite review process. The Office believes that strengthening this review process is the appropriate way to develop monitoring of the project implementation progress.

491. The Director of Operations will issue a specific directive to all operations divisions by the end of 2000 to request the funding agencies using the services of the Office to ensure that they strengthen the range of performance indicators included in the project documents.

492. The responsibility for implementing this recommendation rests with the Deputy Executive Director of Operations.

493. **In paragraph 65, the Board recommended that the Office work with funding organizations to undertake periodic project performance evaluation reports and tripartite reviews for all projects.**

494. The Office continues to stress the need for regular project performance evaluation reports and tripartite reviews so as to document the progress being made by projects. Based on its experiences to date, the Office notes that irrespective of how persistently UNOPS portfolio managers pursue this matter, the result will not be positive unless the concerned funding agencies also share the need for such regular review.

495. The Director of Operations will advise the operations divisions to consistently participate in project performance evaluation reporting and tripartite review exercises for major projects for which the Office is the executing agency.

496. The responsibility for implementing this recommendation rests with the Deputy Executive Director of Operations.

497. **In paragraph 85, the Board recommended that in future the Office seek to avoid the proportional remuneration of lead contractors as a contract mechanism and seek to include penalty clauses for late delivery.**

498. The Office routinely employs best practices to avoid the proportional remuneration of lead contractors as a contract mechanism and to include penalty clauses for late delivery. Those principles are promoted in procurement training and are incorporated in standard contract and purchase documents. The appropriate application of these principles and any exceptions to them are under the purview of the Chief Procurement Officer.

499. The case that has given rise to the Auditors' recommendation is the relocation of the headquarters of the Office. In the tight New York construction market of 1999, and following a review of the advice of local real estate and construction professionals, it was determined by the Chief, Procurement Officer (on the basis of a review by the Procurement Review and Advisory Committee), that it was not possible to apply standard best practices in this regard.

500. As this recommendation derives from an exceptional case and one having no impact on the fully implemented standard procurement practices of the Office, the recommendation requires no further implementation and, accordingly, there is no officer responsible for such implementation.

M. International Criminal Tribunal for Rwanda

501. The action taken or to be taken by the Tribunal to implement the recommendations of the Board of Auditors in its report for the biennium 1998-1999[16] are set out below.

502. **In paragraph 11 (a), the Board recommended that the Tribunal, as well as the Administration, take action to ensure the timely submission of financial reports and consolidated accounts.**

503. The Tribunal has taken note of the recommendation concerning delays in the submission of accounts to Headquarters, which can be attributed

primarily to frequent power outages, shortage of support staff, computer system failure and the staff exercising their accrued annual leave, home leave, maternity leave and so on. The Tribunal has already brought the accounts up to date and fully complied with the deadline for reporting the interim financial statements as at 30 June 2000. It will exert all efforts in future to adhere to mid-month deadlines for reporting field accounts to Headquarters.

504. **In paragraph 11 (b), the Board recommended that the Tribunal ensure full compliance with established procedures, which do not permit the use of miscellaneous obligating documents to reserve credits for travel and the purchase of goods and services.**

505. The Tribunal concurs with the audit recommendation to adhere to established procedures governing the use of miscellaneous obligating documents and will seek the Controller's prior approval should the need arise in future to reserve credits against those documents.

506. **In paragraph 11 (c), the Board recommended that the Tribunal establish an authorized imprest level for the Office of the Prosecutor and not make additional advances unless previous advances have been accounted for.**

507. The $30,000 imprest level for the Prosecutor's Office had actually been approved by the Controller as at 19 May 2000. However, owing to urgent operational requirements covering approximately eight separate missions to Africa, Europe and North America, an additional ad hoc imprest of $100,000 was approved by the Registrar. A disbursements report has now been submitted and is under review in conjunction with the relevant missions carried out by various investigation teams. In the meantime, the Tribunal agrees with the audit recommendation not to approve further advances until the disbursements report confirms clearance of all outstanding advances.

508. **In paragraph 11 (d), the Board recommended that the Tribunal keep the relevant registration information on vendors and regularly carry out the required periodic evaluation of the performance of suppliers.**

509. The Tribunal accepts the audit recommendation and is in the process of implementing it. Full implementation is expected before 31 December 2000.

510. The Chief Programme Officer is responsible for implementation of this recommendation.

511. **In paragraph 11 (e), the Board recommended that the Tribunal enforce the terms of the contract for travel agent services and take steps to recover all amounts due from the travel agent.**

512. The audit recommendation will be implemented fully as per the provision of travel agent services agreement, including future enforcement of the terms of the contract for travel agent services.

513. **In paragraph 19, the Board recommended that the Finance and Budget Sections of the Tribunal carry out monthly reconciliation of expenditure statements to facilitate accurate financial reporting.**

514. The Tribunal updated its reconciliation of expenditure statements with the headquarters figure as at 31 May 2000.

515. **In paragraph 32, the Board recommended that the Administration disclose in the notes to the financial statements the value of non-expendable property pending write-off decisions.**

516. The Tribunal will comply fully with this recommendation as from the year-end statements for 2000.

517. **In paragraph 39, the Board recommended that the Tribunal take action to recover the appropriate cleaning and maintenance costs from the lessor and request a revision in the rent payable.**

518. While the Tribunal does not dispute the views of the Auditors regarding recovery of a portion of cleaning service costs from the Arusha International Conference Centre, it wishes to reiterate that this service was not requested by the Tribunal owing to security concerns. It should, on the other hand, be understood that, as the Centre hired their cleaners to service not only the Tribunal but all three complexes, it was considered unfair for the Tribunal to request that the Centre provide credits equivalent to that service. This is why the Tribunal decided to forgo the cleaning services. However, should the Tribunal be required to recover the corresponding actual salaries the Centre would have paid to its staff, it would appreciate being advised on how the Board of Auditors arrived at the figure of $133,424.08.

N. International Tribunal for the Former Yugoslavia

519. The action taken or to be taken by the International Tribunal for the Former Yugoslavia to implement the recommendations of the Board of Auditors in its report for the biennium 1998-1999[17] are set out below.

520. **In paragraph 10 (a), the Board recommended that the Tribunal disclose in its financial statements the liabilities for end-of-service benefits, post-retirement benefits and annual leave, in compliance with the United Nations accounting standards.**

521. Until the decision of the General Assembly to publish separate financial statements for the International Tribunal for the Former Yugoslavia, the Tribunal's accounts were incorporated into the United Nations accounts and the items in question were calculated by and included in those accounts. The Assembly's decision to separate the Tribunal's accounts from those of the United Nations and to publish them in a separate volume was communicated to the Tribunal only on 26 January 2000. In view of the late date of this decision, the Tribunal was not in a position to furnish the additional information required in time.

522. The Tribunal is now aware of the new reporting requirements and will provide all of the required information in compliance with the United Nations accounting standards.

523. The responsibility for overseeing the implementation of this recommendation lies with the Chief Administrative Officer.

524. **In paragraph 10 (b), the Board recommended that the Tribunal review its procedures for planning the use of courtrooms to ensure effective use of the available facilities.**

525. The issue of courtroom usage is a complex one that defies easy analysis based purely on the basis of numbers. Courtroom use is also not necessarily an accurate reflection of the workload of the Tribunal. There are a multitude of factors, ranging from witnesses who are unable to appear as scheduled for health reasons or because of travel delays to adjournments requested by various parties, which are beyond the Tribunal's control but which result in an unused courtroom. It should also be understood that when a courtroom is not in use, the staff involved perform other required tasks.

526. A major factor in this matter is the limited number of judges in the Tribunal. The need for judges to research and draft their decisions and judgements, the requirement for trial chambers to hear multiple cases and the need for judges to contemporaneously sit in appeal cases all contribute to the phenomenon of unused courtrooms, as illustrated in the report of the President to the Secretary-General dated 12 May 2000.

527. This having been said, the Tribunal has made efforts, to the extent possible, to maximize its use of the courtrooms. In addition, the Tribunal has requested funding in the 2001 budget to establish two additional trial chambers, which would considerably alleviate many of the problems mentioned above.

528. The responsibility for overseeing the implementation of this recommendation lies with the Deputy Registrar.

529. **In paragraph 10 (c), the Board recommended that the Tribunal review its legal aid system with the aim of establishing tighter controls and limits over defence costs.**

530. The Tribunal's legal aid system has been reviewed in detail. A draft of substantial amendments of the directive on assignment of defence counsel has been prepared and is awaiting comments by the judges. The Registry practice related to legal aid, and in particular the practice regarding allotments of maximum working hours for defence teams, have also been reviewed, and a second amendment proposal has been circulated to the judges for their comments.

531. The implementation of both the directive and the related practice change can be expected to take effect during 2000, provided that no unforeseen obstacles occur.

532. The responsibility for overseeing the implementation of this recommendation lies with the Deputy Registrar.

Notes

[1] *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5* (A/55/5), vol. III, chap. II.

[2] Ibid., annex, paras. 10-12.

[3] Ibid., *Fifty-third Session, Supplement No. 5* (A/53/5), vol. III, chap. I.

[4] Ibid., *Fifty-fifth Session, Supplement No. 5* (A/55/5), vol. IV, chap. II.

[5] Ibid., *Supplement No. 5A* (A/55/5/Add.1), chap. II.

[6] Ibid., *Supplement No. 5B* (A/55/5/Add.2), chap. II.

[7] Ibid., *Supplement No. 5C* (A/55/5/Add.3), chap. II.

[8] Ibid., *Supplement No. 5D* (A/55/5/Add.4), chap. II.

[9] Ibid., *Supplement No. 5E* (A/55/5/Add.5), chap. I.

[10] Ibid., *Supplement No. 5F* (A/55/5/Add.6), chap. II.

[11] Ibid., *Supplement No. 5G* (A/55/5/Add.7), chap. II.

[12] Ibid., *Fifty-third Session, Supplement No. 5G* (A/53/5/Add.7), chap. II, para. 9 (a).

[13] Ibid., *Fifty-fifty Session, Supplement No. 5H* (A/55/5/Add.8), chap. II.

[14] Ibid., *Supplement No. 5I* (A/55/5/Add.9), chap. II.

[15] Ibid., *Supplement No. 5J* (A/55/5/Add.10), chap. I.

[16] Ibid., *Supplement No. 5K* (A/55/5/Add.11), chap. II.

[17] Ibid., *Supplement No. 5L* (A/55/5/Add.12), chap. II.